

Exhibit 2

Deposition of Steven Lenes
May 11, 2012

STEVEN LENES - MAY 11, 2012

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IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA
CHARLESTON DIVISION
ELISABETH LENES and STEVEN) CIVIL ACTION NO.:
LENES,) 2:10-CV-316-CWH
)
Plaintiffs,)
)
vs.)
)
LORAL LANGEMEIER,)
)
Defendant.)

* * * * *

VIDEOTAPED
DEPOSITION OF: STEVEN LENES
DATE TAKEN: Friday, May 11, 2012
TIME: 9:00 a.m.
PLACE: 1017 Chuck Dawley Blvd.
Mt. Pleasant, SC 29464

REPORTED BY: TERI L. SAMPSON, RPR,
Notary Public and Certified
Live Note Reporter

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<p style="text-align: center;">6</p> <p>1 A I -- I think I am. 2 Q Somewhat? 3 A Yes. 4 Q Okay. Would you just tell the ladies and 5 gentlemen of the jury what your educational background 6 is? 7 A Yes. So I'm a physician, family practice, 8 and after -- high school, do you want -- do you want 9 back as far as high school? 10 Q Yeah, where did you go to high school? 11 A I went to high school in Florida, Satellite 12 Beach, Florida, and then I did a year of Bible school 13 in Oak Park, Illinois. And then I went to the 14 University of Florida for four years and then I did 15 some graduate work in Boston. 16 Then I became an operating room technician 17 and then -- that was at Essex Agricultural and 18 Technical Institute in -- in Massachusetts. And then I 19 went to physician assistant school at Emory in Atlanta 20 and then back to medical school at Emory University in 21 Atlanta and did my training in family medicine here in 22 Charleston. So it's way too much school. 23 Q When did you graduate from medical school? 24 A I didn't hear you. I'm sorry. 25 Q When did you graduate from medical school?</p>	<p style="text-align: center;">8</p> <p>1 Q For what -- 2 A So -- 3 Q -- for what physical reasons did you end up 4 getting disqualified? 5 A So I have a heart murmur. 6 Q Okay. 7 A And so they -- they wouldn't take me for 8 that. 9 Q So where did you receive -- where did you 10 receive your training in family medicine? 11 A Here in Charleston at the Medical University 12 of South Carolina. 13 Q And if you would, take me through your kind 14 of professional background beginning after you leave 15 college. So you did some emergency room tech work? 16 A No. 17 Q Do I have that correct? 18 A No. So as my summer jobs in college, I 19 worked in -- well, I painted houses and did janitor 20 work, but I also worked in hospitals as an attendant. 21 And so the -- the operating room technician was a 22 nine-month course just to be able to work in -- in the 23 operating room and assist surgeons. And I actually 24 went to school for that, but didn't do that. I got 25 into P.A. school after I finished that program, so I</p>
<p style="text-align: center;">7</p> <p>1 A In -- in 1986. 2 Q And physician's assistant school? 3 A That was in 1981. 4 Q And what kind of graduate work did you do in 5 Boston? 6 A It was health science. 7 Q And when did you graduate from there? 8 A That was just one year that I did that, so I 9 did not get a -- 10 Q When did you graduate from the University of 11 Florida? 12 A 1976. 13 Q And what was your degree in? 14 A Zoology. 15 Q And what Bible school did you attend in Oak 16 Park, Illinois? 17 A It's called Emmaus Bible School. It's 18 actually Bible College now, and they've moved to 19 Dubuque, Iowa, so they're no longer in Oak Park. 20 Q Were you considering entering the ministry at 21 that time? 22 A Nope. It was -- I -- I had applied to the 23 Naval Academy and was going to go there and I was 24 disqualified for physical reasons, and so that's the 25 only school I applied to.</p>	<p style="text-align: center;">9</p> <p>1 went on to -- to become a physician assistant. 2 Q And how long did you work as a physician's 3 assistant? 4 A For about eight months, and then I went to 5 medical school. 6 Q What kind of doctor were you assisting? 7 A A cardiologist. 8 Q And after you got out of medical school, take 9 me through kind of your professional history, if you 10 would. 11 A So residency is three years and -- 12 Q Where did you do that? 13 A Here at the Medical University of South 14 Carolina. And then through the course of that, I 15 worked in emergency rooms moonlighting, so that's the 16 emergency room part. After finishing residency, I 17 worked for the Indian Health Service in New Mexico for 18 a year. 19 Then I came back to -- we came back to 20 Charleston and I worked for -- at the Navy Hospital in 21 their emergency room and ambulatory care clinic. And 22 at the same time, I also worked at the VA hospital in 23 their alcohol and drug treatment program. I did that 24 for about, I don't know, a year and a half, two years, 25 somewhere around there.</p>

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<p>10</p> <p>1 And then I started working for a community 2 health center, which is Franklin C. Fetter here in 3 Charleston. And I did that for eight years. And I 4 continued to do emergency room kind of moonlighting 5 through that whole time.</p> <p>6 Then I worked for two years for -- contracted 7 with a company that contracted with South Carolina to 8 provide medical care at prisons. So I worked at Lieber 9 prison and MacDougall, which are here in -- just north 10 of Charleston.</p> <p>11 And then at the end of two years, I came to 12 where I currently work, which is the Coastal Center. 13 It's part of the South Carolina Department of 14 Disabilities and Special Needs. And so I take care of 15 people with developmental disabilities and I've been 16 doing that for the last 12 years.</p> <p>17 Q What years did you work at the VA and Navy 18 hospitals?</p> <p>19 A That would have been, let's see, probably '90 20 to '92, middle of '92, end of '92, somewhere around 21 there.</p> <p>22 Q And during the course of your work at the 23 Navy Hospital or the VA or anything else in your 24 professional career, have you had occasion to treat 25 people who have severe mental illness?</p>	<p>12</p> <p>1 A Right. 2 Q How long did you do that for? 3 A Probably -- I think we had two months of 4 psychiatry rotations.</p> <p>5 Q What types of mental illnesses do you treat 6 now or have you treated for the last 12 years? 7 A So bipolar disorder, schizophrenia, 8 schizoaffective disorder, depression, autism, fragile X 9 has a mental component to it, some personality 10 disorders.</p> <p>11 Q Any others that you can think of?</p> <p>12 A Well, the -- the thing that's difficult about 13 people with developmental disabilities is it -- it's 14 very hard to really say what's going on with them. And 15 so you also treat symptoms and so when they have 16 self-injury or they're aggressive, you know, you -- you 17 tend to treat a -- a symptom, but you don't really 18 necessarily always have a diagnosis to go with it.</p> <p>19 Q Because they can't tell you what's going on 20 with them?</p> <p>21 A Correct.</p> <p>22 Q Is that --</p> <p>23 A Correct.</p> <p>24 Q -- am I understanding you correctly?</p> <p>25 A Yes.</p>
<p>11</p> <p>1 A I do a lot of that now, so people with 2 developmental disabilities also have mental illness.</p> <p>3 Q And I -- I imagine that that's right. What 4 kinds of mental illnesses are you talking about?</p> <p>5 A The -- the same as everybody else. I mean, 6 they're really not any different than all the rest of 7 us.</p> <p>8 Q Okay. Do you treat people with dissociative 9 disorders?</p> <p>10 A You know, I don't -- I'm not sure what you're 11 meaning when you say "dissociative disorders"</p> <p>12 Q Okay.</p> <p>13 A So I don't...</p> <p>14 Q Do you know what a dissociative disorder is?</p> <p>15 A Not exactly, no.</p> <p>16 Q Okay. When you were working at the Navy 17 Hospital or the VA, did you treat people with post 18 traumatic stress?</p> <p>19 A Some. It's more -- I did the medical 20 consulting and the -- on the -- for the alcohol and 21 drug treatment, so I took care of their medical 22 problems and the psychiatrist did most of the rest of 23 that.</p> <p>24 Q Did you do psychiatric or psychological 25 rounds when you were in medical school?</p>	<p>13</p> <p>1 Q Okay. One of the issues that came up in your 2 wife's deposition was she said that she had been 3 brainwashed. Do you recall that?</p> <p>4 A I do.</p> <p>5 Q All right. At some point during your 6 marriage, did you identify that that was something that 7 was going on?</p> <p>8 A You know what, that's -- that is not correct. 9 My wife --</p> <p>10 Q Okay.</p> <p>11 A -- my wife, English is her fourth language.</p> <p>12 Q Okay.</p> <p>13 A And so when she -- there's sometimes she uses 14 words that she doesn't get all the nuances of them. 15 And I remember when we were first married, she -- she 16 was working for the Bank of Nova Scotia in Atlanta and 17 she -- she was new to this country, I called her up to 18 ask her -- you know, to talk to her and she was 19 talking, and she used some language that I knew she did 20 not know what that meant.</p> <p>21 And -- and she -- it was -- the place she 22 worked, people just spoke very, you know, crudely 23 there. And so she used that language and I thought, 24 oh, my gosh, and I -- I was quiet for a minute and I 25 thought through it and I said, "Dear, please don't use</p>

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<p>14</p> <p>1 any words that you don't know exactly what they mean 2 until you check with me."</p> <p>3 So she -- she has -- she has a very -- she's 4 great with English, but there are certain things that 5 she just still doesn't get. And the children and I, I 6 mean, we have things that we just laugh about at home 7 because she'll use a word a particular way.</p> <p>8 So if you're -- if you're trying to imply 9 that there's psychological disturbance or anything like 10 that, that is not true.</p> <p>11 Q Okay. Well, what I'm asking you is, did you 12 observe your wife having been brainwashed by Loral 13 Langemeier?</p> <p>14 A No.</p> <p>15 Q Okay. And you didn't suggest that she get 16 treatment for -- for any kind of psychological 17 ramifications of her experiences --</p> <p>18 A So --</p> <p>19 Q -- with Loral Langemeier, did you?</p> <p>20 A -- what -- what my wife used was a word that 21 she did not completely understand the meaning of it and 22 the way that you're understanding it.</p> <p>23 Q Okay.</p> <p>24 A And so that's all that that has to do with, 25 that -- she was not trying to imply that any -- I don't</p>	<p>16</p> <p>1 MR. LITTLE: Jim -- 2 A (Continuing) Really, it does -- 3 Q Hold on a second, hold on a second, Dr. 4 Lenes.</p> <p>5 MR. LITTLE: Jim, that's not a legal 6 objection. I just want to make sure that I 7 understand that there wasn't any treatment of 8 Mrs. -- of Mrs. Lenes and --</p> <p>9 MR. BRADLEY: It -- it is a legal objection. 10 You're not allowed to harass the witness.</p> <p>11 MR. LITTLE: Okay.</p> <p>12 BY MR. LITTLE:</p> <p>13 Q I'm not trying to harass you, Dr. Lenes. I'm 14 just making sure I -- everybody here understands that 15 Mrs. Lenes didn't receive any treatment for 16 brainwashing, right?</p> <p>17 MR. BRADLEY: I object to the question.</p> <p>18 I'm --</p> <p>19 A (Continuing) I need to sit for just a minute 20 and compose myself, so if you'll forgive me.</p> <p>21 Q Okay.</p> <p>22 A This is...</p> <p>23 I mean, really, I'm very disturbed by the 24 question because there's -- I think I've explained it. 25 It has nothing to do with any mental illness.</p>
<p>15</p> <p>1 even know where you're going with all that, but she's 2 not trying to imply that there's mental illness or any 3 of those kind of things that -- that just -- that is 4 just...</p> <p>5 Q My question was a little bit different, 6 Dr. Lenes. My question was, did you suggest that she 7 get treatment for any kind of disorder dealing with the 8 ramifications of her experiences with Miss Langemeier?</p> <p>9 A So there -- there's really nothing to suggest 10 treatment for. So when you say did I suggest 11 treatment, you're -- you're saying that -- really, I 12 mean, I don't even know exactly how to answer that. 13 She's -- there's -- there's -- there's nothing, she 14 used a word that was -- that -- she just used a word 15 that didn't have any of those meanings that you're 16 trying to attribute to it.</p> <p>17 Q I -- I think I understand your answer. So it 18 goes without saying that you didn't suggest she get 19 treatment?</p> <p>20 MR. BRADLEY: Look, you know, I'm -- I'm 21 going to -- I'm going to object here. He has 22 explained the situation. You're getting to a 23 point where you are being harassing. This is 24 offensive, inappropriate, I'm not going to let 25 this go on, I mean.</p>	<p>17</p> <p>1 Q Right.</p> <p>2 A It has nothing to do with any of that. 3 It's -- it -- it's irrelevant, in my opinion, to the 4 case.</p> <p>5 Q Okay.</p> <p>6 A And you -- it -- it's just a bizarre 7 question.</p> <p>8 Q Okay. And as I understand your answer, you 9 don't believe she was brainwashed, you just believe 10 that she didn't understand the word, correct?</p> <p>11 A That is correct.</p> <p>12 Q Okay. And you certainly weren't brainwashed 13 by Loral Langemeier, were you?</p> <p>14 A So I understand the word and -- and I would 15 say that we were not brainwashed by Loral Langemeier. 16 But the -- the interesting thing is, is that we did 17 have a trust in her. We -- we revealed a lot of 18 personal, private information and we felt that, you 19 know, we were in the Live Out Loud community, we 20 revealed that to her. And so we trusted her and we -- 21 she said that she would help us to accomplish the goals 22 that we felt were important, and so we had a trust 23 relationship with her and -- and so, you know, we feel 24 that she abused that trust relationship.</p> <p>25 MR. LITTLE: Object, nonresponsive.</p>

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<p style="text-align: center;">18</p> <p>1 BY MR. LITTLE: 2 Q And -- and we'll get to all of that 3 certainly. I just want to make sure, I mean, when 4 the -- when you borrowed money from the bank -- well, 5 let's back up. 6 You borrowed some money from banks against 7 real estate that you and your wife owned, right? 8 A That's correct. 9 Q And no one forced you to do that, did they? 10 A So Loral Langemeier, when we had our meetings 11 and everything, instructed us on how to do those 12 things. And so she said that if we wanted to be 13 involved in this program, we needed to do the things 14 that she asked us to do, and so we did what we were 15 told to do. 16 MR. LITTLE: Object, nonresponsive. 17 BY MR. LITTLE: 18 Q No one forced you to go and borrow money from 19 any banks, did they? 20 A We -- I mean, we really were following what 21 she asked us to do. 22 Q I see. But you weren't forced to, correct? 23 A You know, did she tell us that she'd shoot 24 us, I mean, no, she didn't say she'd do any of that, 25 but she instructed us, she said that unless we -- you</p>	<p style="text-align: center;">20</p> <p>1 trying to get a timeline here as best you remember. It 2 was after the first table, sometime around July of '06? 3 A Well, that's when we got the money, so I 4 think it takes some period of time to do all the 5 paperwork, so... 6 Q You'll fill out a loan agreement, they'll do 7 an appraisal, and then you have a closing? 8 A Correct. 9 Q Right. What other -- what other properties 10 did you borrow against? 11 A So we have two rental properties -- or we had 12 two rental properties also here in Mt. Pleasant, and so 13 we borrowed -- 14 Q And where were those located? 15 A In the Belle Hall subdivision, and one is 345 16 Rice Bay and the other is 532 Pritchard, if I remember 17 right. 18 Q And how much did you borrow against those 19 properties? 20 A So we got a -- we refinanced both of those 21 properties and we also got a second mortgage on both of 22 those properties. And it's somewhere -- again, I mean, 23 we -- just kind of dredging the exact numbers off the 24 top of my head is a little -- 25 Q That's okay.</p>
<p style="text-align: center;">19</p> <p>1 know, if we weren't going to play the game, then we 2 might as well get out. So it's -- it's what we were 3 instructed to do, what we felt we should do, and to 4 be -- you know, to -- to work with her and to 5 accomplish what the long-term goals were and to help 6 her do, you know, for us what she said she would do. 7 Q And, Dr. Lenes, what properties did you 8 borrow against to make investments? 9 A So we borrowed against our primary home. 10 Q And where is that located? 11 A At 109 Ponsbury Road here in Mt. Pleasant. 12 Q And I -- I hate interrupting, so let's just 13 go one by one and ask a series of questions. So 109 14 Ponsbury, how much did you borrow against that home? 15 A We borrowed just about \$700,000. 16 Q And when did you do that? 17 A Let's see. That would have been sometime 18 after the first table, I think in -- so it would have 19 been 2006 and it would have been -- you know, I 20 can't -- I can't exactly remember how long it took for 21 the whole process. I think we got the money in July. 22 So it would have been -- 23 Q That's okay. And I think -- 24 A Yeah. 25 Q -- you've produced the documents, so I'm just</p>	<p style="text-align: center;">21</p> <p>1 A -- difficult. 2 Q As best -- 3 A Yeah. 4 Q -- best you remember. 5 A So, I mean, we were careful when we did 6 the -- the -- your -- the response to you. But it's, 7 off the top of my head, somewhere around maybe \$240,000 8 or something like that -- 9 Q Combined? 10 A -- for each property. For each property. 11 Q Okay, 240 out of each? 12 A Uh-huh (affirmative). 13 Q At the time that you borrowed against those 14 properties, were they cash flowing? 15 A Small amount, yes. Before -- before we 16 borrowed, they were. 17 Q Right. 18 A Not after. 19 Q Right. So you borrowed 240 from each of 20 those. What other properties did you borrow against? 21 A So we had half interest in a commercial 22 building and so we refinanced that. And -- 23 Q Where was that located? 24 A That's -- I can't actually remember the 25 address of that. That's in I'On, in the I'On</p>

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<p style="text-align: center;">22</p> <p>1 subdivision. I've just forgotten the address of that. 2 Q And how much did you borrow against it? 3 A And that number is a little -- because we 4 split it in half, it's a little hard to recall exactly. 5 It seems to me two to \$300,000 for that one. It was 6 just kind of an odd number, so I just don't remember 7 the exact --</p> <p>8 Q Was this a shared office building, or was it 9 mixed use, office, retail, what was it?</p> <p>10 A Yes, mixed use, office, retail. 11 Q And it had tenants in it? 12 A Yes. 13 Q Was it cash flowing? 14 A Yes. 15 Q And what was the entity through which you 16 owned the interest -- half interest in the building? 17 A L & M -- I can't -- 18 Q L & M Enterprises, LLC? 19 A Yes, yeah. Thank you. 20 Q Is that a real estate investment entity? 21 A No. It's just a -- an entity to hold that 22 building -- 23 Q Are the -- 24 A -- with our friends. 25 Q Are you, the Leneses, the "L" of the L & M?</p>	<p style="text-align: center;">24</p> <p>1 Q I don't think so. I'm -- I'm asking you, 2 though, because you're the person who engaged in the 3 transaction. 4 A Right. 5 Q How much do you recall having borrowed to buy 6 the building? 7 A We -- we -- gosh. Maybe, you know, with -- 8 with the other couple, you know, eight or \$900,000, 9 maybe, yeah. 10 Q Sounds -- sounds about right from -- 11 A Yeah. 12 Q -- what I saw in the settlement statement. 13 The total acquisition price was a little over a 14 million. 15 A Yeah. 16 Q Sound right? So you had some equity in it? 17 A Yes. 18 MR. BRADLEY: Do you have the document with 19 you? 20 A (Continuing) I mean, I just -- 21 MR. LITTLE: I don't. 22 A (Continuing) Yeah, I -- I'm sorry. I 23 just -- 24 Q That's okay. 25 A -- it's hard to remember. That -- that was</p>
<p style="text-align: center;">23</p> <p>1 A Yes. 2 Q Okay. Who is -- who's the "M"?: 3 A The -- the Mostellers. 4 Q And when did you-all originally buy that 5 office building? 6 A That would have been -- you know, the -- the 7 further along you get, the further back that gets, and 8 it would have been in the early '90s, I think, early to 9 mid '90s, somewhere around there. I -- I'm -- I 10 actually don't -- I don't recall that very clearly. 11 Q When you originally acquired it, you-all 12 borrowed a lot of money, right? 13 A You know, I guess I'm not sure what a lot of 14 money is, number one, and number two, I'm not -- I -- I 15 don't recall the original purchase price of the 16 building. We have the paperwork for that and I think 17 we probably disclosed that to you. I don't know. 18 Q Yes, sir. I saw a closing statement for that 19 property to L & M Enterprises that looked like L & M 20 borrowed almost a million dollars. Does that sound 21 possible? 22 A That would have been the refinancing, I 23 think, right, for the building? 24 Q I don't think so. 25 A Was it from the '90s? Yeah.</p>	<p style="text-align: center;">25</p> <p>1 really a long time ago and I -- I just don't really 2 recall it. 3 Q I see. And at some point -- well, you're 4 familiar with the term "leverage," right? 5 A Yes. 6 Q Did you understand that when you and Rick and 7 Cyndi Mosteller -- it is Rick and Cyndi, isn't it? 8 A Uh-huh (affirmative). 9 Q When you bought that building, you were 10 taking a big risk, and when you borrowed that much 11 money, that, you know, ultimately you're going to have 12 to pay it at some point in time, right? 13 A So we -- we -- right, when you take a loan, 14 you pay it back. 15 Q Sure. 16 A And so that's part of what a loan is. And 17 when you have a property, you know, there are some 18 tangible -- there's -- you know, there's a building 19 there, there's land and everything, and so it's -- it 20 has -- if something were to happen, you can sell the 21 property and repay the loan. 22 Q Certainly. 23 A Uh-huh (affirmative). 24 Q Certainly. Now, with respect to this office 25 building, at some point, you wanted to borrow -- you</p>

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<p style="text-align: center;">26</p> <p>1 wanted to take out your equity in order to make other 2 investments?</p> <p>3 A Well, that -- I mean, really, that wasn't so 4 much our original plan until --</p> <p>5 Q Oh, no.</p> <p>6 A -- Loral, yeah.</p> <p>7 Q And I -- I don't mean your original plan, but 8 at some point, you did a refinance to take your equity 9 out?</p> <p>10 A So our -- right. So our original plan is -- 11 you know, was always to pay off all our loans and have 12 cash flow from it. And then when we met Loral, she 13 taught us how to make our lazy assets work. And so she 14 said, "When there's money sitting in equity in a 15 building, that that's money that's a lazy asset and 16 it's not doing anything." And so she said, "You could 17 refinance that, take that money out, and use that for 18 other investments, and so you're making that money work 19 for you."</p> <p>20 Q I see. And my question was a little bit 21 different. At some point, you refinanced and got 22 equity out of this office building, correct?</p> <p>23 A Right.</p> <p>24 Q Did you tell Rick and Cyndi, "Hey, we're 25 going to do this," or did they agree to let you do that</p>	<p style="text-align: center;">28</p> <p>1 A We borrowed \$500,000 from that. 2 Q I see. And did you borrow against any other 3 property?</p> <p>4 A I think --</p> <p>5 MR. BRADLEY: You mean just real property? 6 MR. LITTLE: Yes.</p> <p>7 A (Continuing) So -- so like we -- we've done 8 our home --</p> <p>9 Q Home, two rental properties -- 10 A -- the two rental properties -- 11 Q -- I'm -- 12 A -- the commercial building, and the lot. And 13 I think that's all we had.</p> <p>14 Q Okay. So roughly, I'm adding up 700,000 15 plus -- call it 500,000, a million two, a million four, 16 you borrowed somewhere between a million seven -- 17 somewhere around a million seven, I guess, is that 18 fair?</p> <p>19 A Well, if that's what you added up, I mean -- 20 Q Against the real property. I mean, does that 21 sound right to you?</p> <p>22 A Yeah, in -- in -- you know, just roughly. I 23 mean, we -- we gave you more specific numbers in the 24 responses.</p> <p>25 Q Certainly. And with respect to the rest of</p>
<p style="text-align: center;">27</p> <p>1 A Do -- to refinance the building?</p> <p>2 Q Yeah.</p> <p>3 A So we -- I mean, right, we're partners, so we 4 all agreed to do it together, so --</p> <p>5 Q Well, did they take their equity out, too?</p> <p>6 A They did.</p> <p>7 Q What did they do with it, do you know?</p> <p>8 A You know what, I don't.</p> <p>9 Q Okay.</p> <p>10 A I -- I didn't ask them.</p> <p>11 Q How much money did you take out?</p> <p>12 A That's what I think I said earlier, you know, 13 I -- I couldn't exactly remember the -- because it -- 14 it's not a round number, so it was somewhere between 15 two and \$300,000.</p> <p>16 Q Okay.</p> <p>17 A So that was --</p> <p>18 Q My mistake.</p> <p>19 A -- our half, yeah. Sorry.</p> <p>20 Q What other properties did you borrow against?</p> <p>21 A So we also had a lot that we hoped to build 22 on in Mt. Pleasant, as well. That's the on the harbor 23 lot.</p> <p>24 Q I saw that. And how much money did you 25 borrow against that?</p>	<p style="text-align: center;">29</p> <p>1 the money that you came up with to make investments in 2 things like Z Restaurant Group and Renaissance Laser, 3 where did that money come from?</p> <p>4 A So the rest of the money, we did essentially 5 what Loral instructed us to do with that, too. So 6 she -- she said we had cash value in our life insurance 7 policies and so we could borrow out of our life 8 insurance policies.</p> <p>9 Q What else?</p> <p>10 A Then she said that we had -- you know, we 11 had -- my mother had died and had left us some General 12 Electric stock, and so she said, you know, that, you 13 know, that money was available, that why would we -- 14 why would we trust -- she called those kind of assets, 15 she called them park and pray, you know, and so you 16 just put them there and hope that they'll do well. 17 And -- and so she said you didn't need to use park and 18 pray assets, you didn't want to leave that, those are 19 like lazy assets, too. So we used that money. 20 And then we had some money just in savings, 21 as well, that we'd saved up.</p> <p>22 Q Did you liquidate anything else?</p> <p>23 A I mean, we also -- our retirement account, I 24 mean, does that count as -- is that a different -- 25 Q Certainly. Your IRA?</p>

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<p style="text-align: center;">30</p> <p>1 A Right, uh-huh (affirmative).</p> <p>2 Q Okay.</p> <p>3 A And so we sold, you know, our mutual funds</p> <p>4 and those things out of the retirement account.</p> <p>5 Q I see. Did Loral Langemeier sit down with</p> <p>6 you one on one and tell you to borrow against 109</p> <p>7 Ponsbury?</p> <p>8 A She -- she -- the way it worked was she had</p> <p>9 us in a big room and then we had, you know, those big</p> <p>10 white papers that are like on tripods, you know, the</p> <p>11 big --</p> <p>12 Q An easel?</p> <p>13 A Easel paper, right. Do you know what those</p> <p>14 are, those big --</p> <p>15 Q Yes.</p> <p>16 A So we'd write -- you probably do. You're an</p> <p>17 attorney.</p> <p>18 Q That's okay. That's okay.</p> <p>19 A So we would write on those what all our</p> <p>20 assets were, and then she would ask us to help us think</p> <p>21 about what else we had, you know, that were assets.</p> <p>22 And so we wrote all those -- all those down and</p> <p>23 everybody, you know, in the room did that, you know.</p> <p>24 They -- and they called it Live Out Loud and we were</p> <p>25 going to live out loud, we were going to say exactly</p>	<p style="text-align: center;">32</p> <p>1 Miss Langemeier come over to your easel and tell you</p> <p>2 what to do with those assets?</p> <p>3 A She -- I mean, it's -- she didn't come over</p> <p>4 to them. She had them, you know, at the front of the</p> <p>5 room. So we went through -- you know, all 50 people</p> <p>6 were in the room, and so she would have, you know, like</p> <p>7 our couple or it was just a single person, whoever it</p> <p>8 was, she'd have that on the -- on the front of the room</p> <p>9 and then she'd talk about that in front of everybody,</p> <p>10 you know, going through everybody in the room.</p> <p>11 Q Okay. And that's what I want to be clear.</p> <p>12 So you brought your easel up to the front of the room</p> <p>13 in front of everybody that was there --</p> <p>14 A Uh-huh (affirmative).</p> <p>15 Q -- that had all your assets?</p> <p>16 A Uh-huh (affirmative).</p> <p>17 Q And what did Mrs. Langemeier -- and what did</p> <p>18 Miss Langemeier say when looking at your easel?</p> <p>19 A She -- I mean, she talked about how much</p> <p>20 money we had that we could invest and -- and how you --</p> <p>21 how you get that money, you know, you can refinance</p> <p>22 your homes and those sorts of things, and -- and then,</p> <p>23 you know, that we would have that money available to</p> <p>24 invest, you know, in things that would have a good rate</p> <p>25 of return.</p>
<p style="text-align: center;">31</p> <p>1 what all we had.</p> <p>2 And -- and so then when she went -- after we</p> <p>3 did that, then she would go through individually with</p> <p>4 each of us and talk about what we could do with those</p> <p>5 assets. And so I think, you know, she -- she -- she</p> <p>6 did tell us what -- you know, what we could do with the</p> <p>7 assets that we had, you know, how we could liquidate</p> <p>8 them and use them for different things.</p> <p>9 Q Okay. So what I want you to tell me is, you</p> <p>10 had your own easel and a list of all your real estate</p> <p>11 assets and your retirement account and your life</p> <p>12 insurance policies and your savings --</p> <p>13 A Uh-huh (affirmative).</p> <p>14 Q -- you had written. Who wrote those on the</p> <p>15 easel, you or Mrs. Lenes?</p> <p>16 A So I -- well, probably -- well, who knows, I</p> <p>17 mean, I can't remember that far back. It's probably me</p> <p>18 because usually I do -- I'm kind of -- you know, I like</p> <p>19 to have neat and in a certain way. It's just kind</p> <p>20 of --</p> <p>21 Q Certainly.</p> <p>22 A -- that's the way I like it. So probably I'm</p> <p>23 the one who wrote them. But I actually don't recall</p> <p>24 who did.</p> <p>25 Q And did Mrs. Langemeier come -- and did</p>	<p style="text-align: center;">33</p> <p>1 Q Did she tell you anything else?</p> <p>2 A At that -- when she's talking to us in the</p> <p>3 front of the room --</p> <p>4 Q Yes, sir.</p> <p>5 A -- or later?</p> <p>6 Q Yes, sir.</p> <p>7 A Yeah, I mean, later, I mean, because --</p> <p>8 Q When you're talking at the front of the room,</p> <p>9 right.</p> <p>10 A So at the front -- later she would talk to us</p> <p>11 about --</p> <p>12 Q Let's talk about the front of the room for</p> <p>13 right now.</p> <p>14 A The front of the room.</p> <p>15 MR. BRADLEY: Let him answer the question.</p> <p>16 Don't interrupt him.</p> <p>17 A (Continuing) So -- so at the front of the</p> <p>18 room, it was just kind of going over everybody's assets</p> <p>19 and what -- what they would have available to invest</p> <p>20 and how much -- you know, for example, how much money</p> <p>21 was in the whole room, you know, that, you know,</p> <p>22 everybody could invest if they really did those kind of</p> <p>23 things.</p> <p>24 And -- and then she told us that we would --</p> <p>25 we -- sorry, just sort of lost my train of thought a</p>

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<p style="text-align: center;">34</p> <p>1 little bit.</p> <p>2 Q That's okay.</p> <p>3 A That she would have -- she would have -- that</p> <p>4 we would have this -- this money available to invest.</p> <p>5 And -- and it was later that she really talked about</p> <p>6 what all the opportunities are. I can't -- there's</p> <p>7 a -- you know, they had a schedule of how they went</p> <p>8 through everything. So it's a three-day seminar and</p> <p>9 you -- and you went through, she did teaching, she did</p> <p>10 a -- I think she called that a money makeover, is I</p> <p>11 think what she called it.</p> <p>12 Q Okay.</p> <p>13 A And so she would talk about what's available</p> <p>14 and what you could invest in to utilize that money and</p> <p>15 utilize your lazy assets.</p> <p>16 Q And I just want to know, was there anything</p> <p>17 else she told you when your assets were up at the front</p> <p>18 of the room on an easel?</p> <p>19 A So it's hard, I mean, really, I'm stumbling a</p> <p>20 little bit mainly because it's -- you know, it was</p> <p>21 three days and we started at 8:00 in the morning and</p> <p>22 would go till 6:00, 7:00, 8:00, or 9:00 at night. And</p> <p>23 so I -- it's hard to sort out individual chunks of time</p> <p>24 from those three days. So at that point in time, it's</p> <p>25 hard to remember what she said. I mean, it's -- it's</p>	<p style="text-align: center;">36</p> <p>1 chronology of it is hard to sort out, if she spoke</p> <p>2 about it at the front, at the back of the room, I --</p> <p>3 you know, but -- I've lost track of your question</p> <p>4 again.</p> <p>5 Q That's okay, that's okay. I'll ask a</p> <p>6 different question.</p> <p>7 A All right.</p> <p>8 Q Did Loral Langemeier advise -- did she sit</p> <p>9 down with you and -- or your wife one on one and tell</p> <p>10 you to borrow \$700,000 from your home?</p> <p>11 A She -- essentially, we put the papers on the</p> <p>12 wall and we listed how much equity we had in our home.</p> <p>13 And she said that's money that's available to -- to</p> <p>14 borrow and to use for investments. So -- so the only</p> <p>15 thing she didn't do is sit down, she was standing up,</p> <p>16 you know, essentially, when she told us that we could</p> <p>17 borrow all that money on our home and use that to</p> <p>18 invest and take advantage of a lazy -- a lazy asset.</p> <p>19 Q Something I want to understand, Dr. Lenes,</p> <p>20 did she sit down with you one on one and instruct you</p> <p>21 to -- to withdraw money or to withdraw equity from your</p> <p>22 home?</p> <p>23 MR. BRADLEY: Objection, asked and answered.</p> <p>24 A (Continuing) And so she -- she's talking to</p> <p>25 us, she's just not sitting down, I mean, she's at the</p>
<p style="text-align: center;">35</p> <p>1 really a whole general expression of what happened, you</p> <p>2 know, during the course of that three-day seminar.</p> <p>3 So --</p> <p>4 Q Okay.</p> <p>5 A -- at the front -- at the front, she talked</p> <p>6 about investments. It's just hard. I can't remember.</p> <p>7 Q If you can't remember --</p> <p>8 A Yeah.</p> <p>9 Q -- that's okay.</p> <p>10 A Okay.</p> <p>11 Q That's okay. I'm just trying to find out if</p> <p>12 there was anything else that she said to you at the</p> <p>13 front of the room with your assets on an easel, and you</p> <p>14 don't remember anything else?</p> <p>15 A So I remember a lot a lot of things. It's</p> <p>16 very hard to remember --</p> <p>17 Q It just happened later?</p> <p>18 A Well, it's hard to --</p> <p>19 MR. BRADLEY: That mischaracterizes his</p> <p>20 testimony.</p> <p>21 A (Continuing) It's -- it's hard to remember</p> <p>22 if happened at the front of the room then or if it</p> <p>23 happened later, when she was going over all the</p> <p>24 investments on the back wall, where she would put all</p> <p>25 her investments on another sheet of paper. So I -- the</p>	<p style="text-align: center;">37</p> <p>1 front of the room, she's talking to us.</p> <p>2 Q Okay. And that's -- I wasn't there, so</p> <p>3 I'm --</p> <p>4 A Yeah.</p> <p>5 Q -- trying to understand. Is she doing</p> <p>6 basically a review of your assets while you're sitting</p> <p>7 down somewhere, but it is a review of only your assets,</p> <p>8 and she's standing up at the front?</p> <p>9 A She did that for everybody in the whole room.</p> <p>10 She went through everybody's assets, and when she did</p> <p>11 your assets, she -- she did our assets. I mean, we had</p> <p>12 our piece of paper that we wrote everything down --</p> <p>13 Q Okay.</p> <p>14 A -- on and explained, you know, where all --</p> <p>15 what we thought our assets were, and then she said what</p> <p>16 to do with them.</p> <p>17 Q Well, and -- and that's what I want to get</p> <p>18 at. So when she was standing up and reviewing your</p> <p>19 assets, did she say, "Dr. Lenes, you need to borrow</p> <p>20 \$700,000 from your home"?</p> <p>21 MR. BRADLEY: Objection, asked and answered.</p> <p>22 A (Continuing) Do you want me to say the same</p> <p>23 thing I said before?</p> <p>24 Q No. No. There -- do you see the difference</p> <p>25 between telling someone that they have money available</p>

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<p style="text-align: center;">38</p> <p>1 to invest and telling them to borrow it and invest it?</p> <p>2 A The --</p> <p>3 Q Do you see the difference?</p> <p>4 A The -- so the --</p> <p>5 MR. BRADLEY: Let him answer the question.</p> <p>6 A (Continuing) So when -- when we're -- when</p> <p>7 we're at the Big Table, I mean, we came -- Loral said</p> <p>8 that she made millionaires, and when we came to the Big</p> <p>9 Table to learn how to do that, she said that we should</p> <p>10 do what she told us to do, that she was the expert and</p> <p>11 that she was the one who knew how to do it. And we --</p> <p>12 we didn't know how to do that.</p> <p>13 And so when she's at the front of the room</p> <p>14 reviewing our assets, she's telling us that we have</p> <p>15 this money available and that we should liquidate that</p> <p>16 and do our -- do the investments.</p> <p>17 Q And I think you answered my question. I just</p> <p>18 want to be clear. Loral Langemeier told you that you</p> <p>19 should borrow \$700,000 from your home, right?</p> <p>20 MR. BRADLEY: Objection, mischaracterizes the</p> <p>21 testimony.</p> <p>22 BY MR. LITTLE:</p> <p>23 Q Is that right?</p> <p>24 A So she stood at the front of the room and we</p> <p>25 went over all our assets and she explained where all</p>	<p style="text-align: center;">40</p> <p>1 what she advised us to do.</p> <p>2 Q So at the second Big Table, when Elisabeth</p> <p>3 was fussed out, as you put it, by Miss Langemeier, you</p> <p>4 understood that Miss Langemeier was telling you to</p> <p>5 liquidate all of your assets?</p> <p>6 A She -- at that point in time, I mean,</p> <p>7 that's -- she said that we -- we had not gotten all our</p> <p>8 lazy assets going.</p> <p>9 Q Have you heard Miss Langemeier speak about</p> <p>10 money rules or asset allocation before?</p> <p>11 A Yes.</p> <p>12 Q What did -- what did you hear her say about</p> <p>13 that?</p> <p>14 A So for asset allocation, she -- that's one of</p> <p>15 the lectures that she had.</p> <p>16 Q Uh-huh (affirmative).</p> <p>17 A And she told you how to -- to -- she had a</p> <p>18 big circle that she drew on a board and she divided it</p> <p>19 up and said you needed to have assets in oil and gas,</p> <p>20 you needed to have assets in real estate, you needed to</p> <p>21 have assets in business. And -- and she helped us</p> <p>22 figure out, you know, roughly a percentage of how much</p> <p>23 should be in each kind of investment.</p> <p>24 Q Did you have any equity in any real estate</p> <p>25 assets after Miss Langemeier instructed you to</p>
<p style="text-align: center;">39</p> <p>1 the money was and how we could get that money to be</p> <p>2 able to invest in assets.</p> <p>3 Q Did she tell you to liquidate everything?</p> <p>4 A She -- she later on definitely did. At that</p> <p>5 point in time --</p> <p>6 Q Okay.</p> <p>7 A -- she said -- it's just hard, again, the</p> <p>8 chronology of events, it's hard to know exactly what</p> <p>9 happened when.</p> <p>10 Q I understand. You said that she definitely</p> <p>11 told you to liquidate everything. When did she do</p> <p>12 that?</p> <p>13 A So when she talked to Elisabeth at the -- at,</p> <p>14 I think, the second table and she talked about have</p> <p>15 we -- have we liquidated, have we got all our lazy</p> <p>16 assets available and -- and essentially fussed</p> <p>17 Elisabeth out for not having done that, at the second</p> <p>18 table.</p> <p>19 So that's the way we -- we understood, we --</p> <p>20 we placed a trust in her as a person who is giving us</p> <p>21 advice and she was saying that this is what we needed</p> <p>22 to do to be able to fully be involved in the program</p> <p>23 and to have our best chance at being, you know --</p> <p>24 reaching our goals, that she helped us figure out what</p> <p>25 they were and we -- so we did, you know, really what --</p>	<p style="text-align: center;">41</p> <p>1 liquidate?</p> <p>2 A Sir, I'm not sure what you're asking me.</p> <p>3 Q Yeah, sure. What was your asset allocation</p> <p>4 after Miss Langemeier told you to liquidate everything?</p> <p>5 A So like are you asking me did I put it into</p> <p>6 all those --</p> <p>7 Q Yeah.</p> <p>8 A -- all those different circles?</p> <p>9 Q Sure. Did you?</p> <p>10 A So that was what she taught us to do, so</p> <p>11 we -- we invested in oil and gas. We invested in</p> <p>12 businesses, we did all -- you know, we did those kind</p> <p>13 of things to -- to develop, you know, you know, how she</p> <p>14 instructed us that we were to diversify our assets.</p> <p>15 Q And you diver- -- you feel like you</p> <p>16 adequately diversified your assets after you liquidated</p> <p>17 everything, is that -- is that correct?</p> <p>18 A So we -- we did what she instructed us to do.</p> <p>19 I mean, she was the one who told us that that's how you</p> <p>20 diversify your assets.</p> <p>21 Q How much time did you have one on one with</p> <p>22 Loral Langemeier?</p> <p>23 A The --</p> <p>24 MR. BRADLEY: And -- and let me just</p> <p>25 interject an objection that it's vague.</p>

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<p>42</p> <p>1 MR. LITTLE: What's vague about that, Jim? 2 MR. BRADLEY: Are you talking about the first 3 Big Table seminar, or you mean over the whole 4 course of the relationship? 5 MR. LITTLE: Ever, ever. 6 A (Continuing) So it -- it is -- I mean, I'm 7 pausing just because it's hard to -- I mean, we had 8 lots of interactions with her, and so to quantify a 9 particular period of time over time, we talked to her a 10 lot, we -- you talk after meetings, you talk, you know, 11 during the meetings, there would be breaks, you know, 12 we'd talk. So I -- I don't know that I can actually 13 quantify it. 14 Q Did you and your wife -- did you or -- and/or 15 your wife ever sit down in a room alone with Loral 16 Langemeier? 17 A The -- I'm trying to remember if we had a 18 time, you know, that first, you know, when she just sat 19 down. It seems to me we had some specific one on one 20 time with her. But the thing that's so difficult is 21 just trying -- these were just really busy times, you 22 know, the -- the three days were just a blur of 23 activities. 24 And so, you know, I remember, you know, a lot 25 of what we talked about, but as far as defining, you</p>	<p>44</p> <p>1 A (Continuing) So I remember that we talked -- 2 MR. BRADLEY: Mischaracterizes his testimony. 3 A (Continuing) -- that we talked about a lot 4 of things, and as far as what particular time we talked 5 about those things, that's what I'm not so clear on. 6 Q What things did you talk about? 7 A So during the course of the weekend, we 8 talked about asset allocation, we talked about 9 liquidating your lazy assets and getting them to work 10 for you. We talked about -- they had lecturers come in 11 to talk about taxes and accounting and entities. 12 And so there just was a lot of things that 13 occurred during the course of those -- those three 14 days. And then we talked with other people. We talked 15 to -- you know, what kind of things did they invest in. 16 When we listened to the -- when she did -- went through 17 the money makeovers for everybody in the room, you 18 know, we learned about each person. 19 From that time, she made comments about 20 things that they could do. We learned -- you know, we 21 learned from them. So she would tell somebody they 22 could use this particular asset and accomplish, you 23 know, some of their goals. And so we learned, okay, 24 well, that worked for them, would that work for us. 25 And so it was -- it was really just a -- and</p>
<p>43</p> <p>1 know what occurred when, it's -- the days were just 2 long days and so they -- they really had a lot of 3 activities. They had a full schedule. They had people 4 lecturing. She lectured, she did the money makeovers. 5 You know, we had times to talk, we even had times 6 scheduled during meals, you'd talk with different 7 people. 8 So it wasn't -- it was a very full time and 9 so I'm -- I'm having a hard time recollecting -- 10 Q Is your answer you don't remember? 11 A -- anything specific. For if we had a one on 12 one sit down with her? 13 Q Yes. 14 A My answer is I think we did during that time. 15 Q What do you recall about it? 16 A That -- so the -- during that time, we talked 17 about -- during the whole weekend, we talked about just 18 a lot of things. So to be able to say what happened 19 during that sit down time, you know, she had a 20 particular agenda during that. And so the -- trying to 21 remember what we talked about then versus what we 22 talked about at other times during the weekend is a 23 little unclear to me. 24 Q I see. So you don't remember? 25 MR. BRADLEY: Objection.</p>	<p>45</p> <p>1 that took -- I mean, that -- that wasn't done in just 2 an hour. I mean, there were 50 people in the room, and 3 so over the course of a morning and an afternoon, she 4 went through all of those. 5 Q I see. 6 A And -- 7 Q When you had your assets up on the easel, how 8 much money did you realize that you had to invest? 9 A The -- so when -- at that point in time, you 10 know, we hadn't figured out all the equity that was in 11 our home and all that, so we put that down. And so 12 then when we saw -- you know, essentially, we never 13 really knew what our net worth was before then. 14 And -- and we saw what we thought was an 15 estimate of what the value of our home was and all of 16 those sort of things. So we weren't -- I mean, it's 17 not like we had a clear -- we hadn't gotten an 18 appraisal on our home. We didn't know exactly what the 19 value of it was. 20 And so when we -- when we saw that, it wasn't 21 a real accurate estimate, but you -- you just did a 22 rough estimate of the money that we borrowed off our 23 home, and so that is essentially those -- Loral defined 24 those as lazy assets and they were just sitting doing 25 nothing in our home, and we could utilize those lazy</p>

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46 1 assets in investments, you know, that she would make 2 available to us and we'd be able to, you know, be -- 3 and she talked -- she had a lot of lingo that she used, 4 she had like a freedom day and those sorts of things. 5 And so we -- or a happy day or something like 6 that. And so that was a time when you would be able to 7 pursue some of the other goals and things that you had 8 once you had all that money working for you and 9 generating money. 10 Q Were your rental homes lazy assets? 11 A Her -- so -- so the rent -- I don't exactly 12 understand that question, I'm sorry. 13 Q What's a lazy asset? 14 A So from -- from what I understood was it was 15 when you have money that's just sitting doing nothing. 16 And so -- and so the value of the home is more than 17 what you owed on it, and so there's that -- that much 18 money that was equity in the home and that would be 19 considered a lazy asset because you -- you had money. 20 It was part of your net worth, but it was just sitting 21 there doing nothing. 22 And so if you could take that money and make 23 it work and the thing -- the thing that appealed to us 24 about that was, is that we -- we had just -- I mean, 25 all our whole sort of financial planning, you know,	48 1 A Working hard. 2 Q Yeah. 3 A And so the -- to have somebody tell us that 4 we could have the money work hard, we thought this is a 5 good thing. And so she said there's equity in those 6 homes and that we can make that money -- she would 7 teach us how to make that money work. It wouldn't -- 8 Leneses, we don't want Leneses to be lazy, and she 9 had -- we had lazy assets that she told us about, and 10 so that money could work and so that made sense to me. 11 Q Wasn't your money already working in the rent 12 homes? 13 A It -- not the way she explained it to us. I 14 mean, it was just -- there was money sitting there that 15 was not doing anything. And so it -- you know, it's 16 money that could be -- you could -- you'd have the 17 rent -- the rental home and you'd still have that, but 18 then you take that money and then that money goes and 19 works. 20 Q Wasn't your money already working in the 21 office building that you owned a piece of? 22 A So you have money that's in equity that's -- 23 that's money that's -- you know, as she explained it to 24 us, that those are -- those were lazy assets and so 25 there was money that was available there and that money
47 1 whatever you want to call it, prior to that, our -- our 2 financial goals, the way we did things is we just 3 worked. 4 And so, for example, on the -- for the -- for 5 the homes, our rental homes, you know, we had those, 6 but we didn't -- I mean, we -- we worked and we taught 7 our children to work. And we would -- when something 8 needed to be repaired, the boys and I repaired it. And 9 when -- you know, when we landscaped, you know, we had 10 halogen lights out in the yard in the middle of the 11 night planting shrubs and stuff just to try to get it 12 done in between working and everything else. 13 So all -- all the assets that we knew of were 14 ones that we -- it was our sweat, our sweat equity, our 15 hard labor. And we -- we worked and did those kind of 16 things. And we had renovated a house in downtown 17 Charleston and we worked and did that, you know. 18 The children, we had -- we had times when we 19 were putting insulation in an attic and I'm holding the 20 hose, the two boys are guiding the hose through the 21 attic and Elisabeth and the girls are feeding 22 insulation into the hopper on the second floor to blow 23 it into the attic. So -- so the equity that we knew 24 about was that kind of equity. And -- 25 Q Working hard?	49 1 could go then and work, as well. 2 Q And what did she advise you to do with that 3 money? 4 A So -- so then during the course of that 5 weekend, she had investment opportunities that she 6 wrote on those same big white sheets of paper and put 7 on the wall around that we could invest in. So we 8 could take our lazy assets and invest it in the things 9 that she presented to us. 10 Q Did she tell you to put all of your money in 11 those things? 12 A She told us that -- how we could take those 13 resources and allocate those and she -- you know, she 14 gave us the circle pie, you know, the pie graph of how 15 to allocate those assets, and that those assets, the 16 ones that she put around the room, you know, they 17 were -- she had oil assets, she had those sorts of 18 things. And she told us how we could be involved in 19 those -- in those assets. And she made those things 20 available to us and she taught us about them and she 21 told us, "This is what you need to do." 22 Q When you say "she told us this is what you 23 need to do," do you mean that she told you to put all 24 of your money into those things? 25 A It's -- so when we went to -- you know, to

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<p style="text-align: center;">50</p> <p>1 Loral Langemeier, she was teaching us how to be 2 millionaires. And so --</p> <p>3 Q You were already millionaires, weren't you? 4 A We -- I think we were. You know, we 5 didn't --</p> <p>6 Q Three times over, right? 7 A Yes. So we didn't -- we didn't actually know 8 that until we got there. And -- and so we went to have 9 her teach us. The thing -- you know, the thing about 10 that was, is that she was teaching us more than just 11 even being a millionaire. So our freedom day was when 12 we had income from our -- our investments that would 13 equal the income that I would earn from work. And so 14 then that would give us the flexibility to do other 15 things that we felt were important to do.</p> <p>16 And so -- so she -- she told us how to do 17 that, you know. She was a millionaire maker, I mean, 18 that's the title of her book, that's what got us 19 interested in -- in coming to see her in the first 20 place.</p> <p>21 Q And, Dr. Lenes, my question was a little bit 22 different. I just want to go back to this -- this 23 question and see if I can get you to answer, okay? My 24 question was, when you said "that's what she told us to 25 do," did she tell you to put all of your money in those</p>	<p style="text-align: center;">52</p> <p>1 investment. 2 Q Did she write that down with you? 3 A She wrote it down on the -- on the paper. 4 Q On the easel -- 5 A The -- 6 Q -- at the front of the room? 7 A The -- the percentages were -- I'm trying -- 8 I mean, I'm not exactly recalling the percentages, the 9 exact percentages of each thing. And so when she had 10 us write all those, when she wrote that, I think she 11 wrote the, you know, percentages in the general 12 lectures and then divided and told us about, you know, 13 what percentages would be good for us. I don't recall 14 if she wrote them on the -- on the board or -- on the 15 easel or not.</p> <p>16 Q What percentage of your assets did she 17 recommend that you put into Z Restaurant Group? 18 A So that -- that would fall under promissory 19 notes and I -- I don't recall the percentages, the 20 division of the percentages of everything. When -- 21 when we did Z Restaurant, she -- we had the money 22 available, and so I think Elisabeth talked to her about 23 we have this -- this much money available, what -- you 24 know, what can we do as far as promissory notes. 25 And so she told us about David Zebny and Z</p>
<p style="text-align: center;">51</p> <p>1 assets -- in those investments? 2 A So that's really what we understood her to 3 say. 4 Q Is that what she said or what you understood 5 her to say? 6 A That's what we understood her to say, she was 7 in the -- we went to this seminar, she was teaching us 8 how to do it. She was presenting the opportunity. She 9 said that we had the opportunity to do these things 10 there, we should put our money into those kind of 11 things and that it would -- that's -- that's how you 12 make passive income, that's how -- you know, the 13 businesses will earn 20, 25 even, 30 percent returns 14 and that's money that would help us towards our -- our 15 freedom day. 16 Q Dr. Lenes, did Mrs. Langemeier give you an 17 amount to invest or did she recommend an amount to 18 invest in Z Restaurant Group? 19 A She -- when we did Z Restaurant, she said 20 that we had -- well, I guess -- I guess what she said 21 was -- she helped us divide it up by percentages, and 22 so we had a certain amount of money. We had the -- we 23 had the pie, we had a percentage that was supposed to 24 go in oil and gas and all of those. So she helped us 25 figure out the percentages that we should put into each</p>	<p style="text-align: center;">53</p> <p>1 Restaurant Group. And I think she gave maybe two 2 other -- two other examples, as well, and so she gave 3 us three places to invest it in. 4 Q Did you invest it in all three places? 5 A We did, I think we did mainly with Z 6 Restaurant. 7 Q Did you understand that you were taking a 8 huge risk when you invested that money? 9 A The -- when she -- when she described all 10 those kind of things, you know, she -- she never really 11 mentioned things about risk. 12 Q Okay. 13 A And so we did not -- we did not think that 14 there was any risk. We -- we thought when -- when she 15 presented investments, those kind of investments, she 16 essentially had said she has been in the game, she was 17 a like investor, she had investigated these, she was 18 monitoring them, and that there was really -- she never 19 really talked about risk. 20 Q Was any of that false? 21 A Is any of what false? 22 Q What you just told me that she told you about 23 Z Restaurant Group. 24 A Do you -- I'm not sure that you're asking. 25 Are you asking me -- are you asking me did she tell us</p>

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<p style="text-align: center;">54</p> <p>1 the truth or -- 2 Q Yeah. 3 A -- what are you asking? 4 Q Yeah, did she tell you the truth? 5 A About Z Restaurant? 6 Q Z Restaurant Group. 7 A And as far as -- I'm sorry. You just have to 8 be a little -- I'm not -- 9 Q I'll slow down. 10 A -- I'm not understanding -- 11 Q That's okay. 12 A -- the question. 13 Q That's okay. I'll ask a different question. 14 Was Loral Langemeier a like investor in Z Restaurant 15 Group? 16 A That's what we understood from her when she 17 would talk in the -- in the presentations and present 18 the investments. 19 Q Was that true? 20 A We -- we really understood that to be true at 21 the time, you know, when she was there. 22 Q Now, do you understand it to be true? 23 A That she was a like investor? 24 Q Yes. 25 A So when she had -- when she was in Z</p>	<p style="text-align: center;">56</p> <p>1 record at 10:15. 2 MR. BRADLEY: And -- and just for the record, 3 we took a break to discuss a potential privilege 4 issue. Your question was what he may know now 5 about what Miss Langemeier had previously said 6 that he knows now to be false. And -- and some of 7 that, to the extent that -- excuse me. 8 To the extent that he has independent 9 knowledge of what may be false, that's fine, but 10 to the extent that that knowledge is based on 11 communications with counsel, I'm going to instruct 12 him not to answer that. 13 MR. LITTLE: Okay. Let me ask a different 14 question. 15 BY MR. LITTLE: 16 Q Dr. Lenes, other than things that you've 17 talked about with your lawyer or learned from talking 18 with your lawyer, are you aware of any facts or 19 evidence that suggests that Loral Langemeier was not a 20 like investor? 21 A So we -- we believed that she was a like 22 investor and that she taught us -- she recommended 23 different investments and that we would trust -- you 24 know, we trusted her for those and that she -- she had 25 skin in the game, was an expression that she used a</p>
<p style="text-align: center;">55</p> <p>1 Restaurant, we -- we don't understand that to be true 2 at this time, that she was a like investor, that she 3 had -- she invested money in it, but she had some other 4 arrangements with them. 5 Q Okay. What are those arrangements? 6 A Those arrangements were, excuse me, that she 7 had -- you know, the exact specifics of that, I'm 8 not -- I'm just not recalling right off the top of my 9 head, but that she had some additional shares of 10 control or involvement. 11 Q And what do you know about that? 12 A Mainly -- 13 MR. BURNS: Jim -- Jim, could we -- could we 14 take a -- a break for a minute to discuss a 15 privilege issue we're having? 16 MR. BRADLEY: Okay. 17 A (Continuing) Are you -- 18 Q Yeah, we're going to take a break. 19 A Okay. I might go to the bathroom, if that's 20 all right. 21 VIDEOGRAPHER: Off the record at 10:06, Tape 22 No. 1. 23 (Recess taken.) 24 VIDEOGRAPHER: This is Tape No. 2 in the 25 deposition of Dr. Steven Lenes. We're on the</p>	<p style="text-align: center;">57</p> <p>1 lot. 2 And so we -- that's what we believed when we 3 made the investments, you know, that she recommended 4 and that -- and that she was just like us. And so, in 5 the process of that, we didn't have an understanding of 6 what all the other things that she was involved in. 7 Q But, Dr. Lenes, Miss Langemeier was an 8 investor in these programs, too, wasn't she? 9 A That's what she told us when she recommended 10 the investments. 11 Q And that was true, right? 12 A That she was an investor in -- in each of 13 these things? 14 Q Yes. 15 A She -- 16 Q That was true, wasn't it? 17 A So she was an investor in each of those, 18 whether or not she was exactly like us, that's -- 19 that's different. 20 Q Okay. You understand you've sued 21 Mrs. Langemeier for fraud and alleged that she was -- 22 she did not have skin in the game, that when she told 23 you that, that was a lie? 24 A So -- 25 Q Do you understand that?</p>

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<p style="text-align: center;">58</p> <p>1 MR. BRADLEY: And, again, I'm going to 2 instruct the witness to the extent he understands 3 that from conversations with counsel, you don't 4 have to reveal that, but to the extent you have an 5 independent knowledge of that, then go ahead and 6 answer.</p> <p>7 A (Continuing) Okay, so would you ask me the 8 question again?</p> <p>9 Q Yeah, sure. Why don't you open this book in 10 front of you, there's a tab in the back, Tab A. This 11 is a copy of a summons and complaint that you filed 12 against Miss Langemeier.</p> <p>13 MR. BRADLEY: Are you -- are you going to 14 make this an exhibit to the deposition?</p> <p>15 MR. LITTLE: Not yet.</p> <p>16 BY MR. LITTLE:</p> <p>17 Q Would you turn to page 6, if you will.</p> <p>18 A Which 6 are you talking about?</p> <p>19 Q Six at the bottom in the middle.</p> <p>20 MR. BRADLEY: Page 6 of the actual 21 complaint --</p> <p>22 MR. LITTLE: Yeah.</p> <p>23 MR. BRADLEY: -- not page 6 of the Tab A?</p> <p>24 MR. LITTLE: Correct.</p> <p>25 A (Continuing) All right.</p>	<p style="text-align: center;">60</p> <p>1 A So they had wanted to present an investment 2 opportunity to the table and that she had asked for 3 a -- a percentage, you know, some -- some additional 4 percentage of that.</p> <p>5 Q Did that ultimately happen?</p> <p>6 A That -- at -- at that time, they told us, you 7 know, they weren't going to do that because they -- you 8 know, they didn't want to pay her that amount of money.</p> <p>9 Q Did Dax or Theresa Poindexter tell you 10 anything about percentages or commissions or facts that 11 Miss Langemeier got in any of the programs in which you 12 invested?</p> <p>13 A They told us about their experience, and so 14 they didn't tell us about the other -- other ones. 15 They told us their experience.</p> <p>16 Q Right. And you would agree with me that 17 David Zebny is a liar, right?</p> <p>18 A So, you know, that's -- that's kind of an out 19 there kind of a question. And so --</p> <p>20 Q Let me -- let me withdraw and I'll ask you a 21 different one, different question. Did David Zebny lie 22 to you about things?</p> <p>23 A That -- that's something that is -- I 24 don't -- you know, we're still just trying to figure 25 out all of that. So I don't -- I don't actually know.</p>
<p style="text-align: center;">59</p> <p>1 Q Are you with me? Beginning paragraph 36, 2 your lawsuit reads, "Langemeier's primary motivation in 3 selecting and promoting investments to the plaintiffs 4 was her own financial gain." What do you know about 5 that other than what your lawyers told you?</p> <p>6 A So are -- you're asking specific details 7 about that?</p> <p>8 Q Yeah. Do you know any specific details about 9 that other than what your lawyers told you?</p> <p>10 A The -- the things that we know are the things 11 that I think we referenced, you know, as we've talked 12 with people, that there came up that she had other 13 returns that we were unaware of and -- at the time, and 14 so she had -- she had received -- she had received 15 favorable treatment or, you know, --</p> <p>16 Q Who told you that?</p> <p>17 A So when we talked with David Zebny and we 18 talked with the Poindexters, and then I think Elisabeth 19 talked with another person, you know --</p> <p>20 Q Who are the Poindexters? I'm sorry.</p> <p>21 A The Poindexters, Dax and Theresa Poindexter.</p> <p>22 Q And how do you know that?</p> <p>23 A So they were fellow table participants.</p> <p>24 Q And what did they tell you about 25 Miss Langemeier's interest in these firms?</p>	<p style="text-align: center;">61</p> <p>1 You know, you can be upset about things and -- and 2 say -- but as far as, you know, what -- what -- you 3 know, if he lied or what he specifically lied about, 4 that -- I don't know that I can answer that directly.</p> <p>5 Q You know Mr. Zebny was running a Ponzi 6 scheme, don't you?</p> <p>7 A So, again, that -- that is -- that is not 8 what --</p> <p>9 Q Your wife testified that David Zebny was 10 running a Ponzi scheme.</p> <p>11 A So --</p> <p>12 Q Do you think she misunderstood what that was?</p> <p>13 A So, yeah, I -- she -- she did misunderstand 14 what that was.</p> <p>15 Q Oh, okay.</p> <p>16 A And so when you asked her the defini- -- 17 definition in her deposition, she gave you a -- a 18 definition of a Ponzi scheme that wasn't correct. And 19 so she used, again, a word that she didn't exactly 20 understand what it meant.</p> <p>21 Q What's a Ponzi scheme?</p> <p>22 A So a -- my understanding of what a Ponzi 23 scheme is, is that when people like Bernie Madoff, I 24 think that was a Ponzi scheme --</p> <p>25 Q Yes.</p>

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<p style="text-align: center;">62</p> <p>1 A -- where you take money from investors and 2 then you continue to take money from investors and use 3 the money that you get from later investors to pay the 4 first investors. And so I think that's a Ponzi scheme.</p> <p>5 Q Is that what happened with Z Restaurant 6 Group?</p> <p>7 A And so that would -- I'd have to -- that -- 8 that's information that I -- I don't have access to. 9 I -- I don't -- I can't really answer that question.</p> <p>10 Q Okay. The next sentence in paragraph 36 in 11 your petition reads, "Contrary to her representations, 12 Langemeier was not a like investor whose interests were 13 aligned with those of the plaintiffs." That's not 14 true, is it?</p> <p>15 A Well -- tell me again what the question is.</p> <p>16 Q That sentence isn't true, is it?</p> <p>17 A So if we -- if we made this -- this statement 18 in here, then it -- we consider it to be true.</p> <p>19 Q Okay. Tell me what evidence that you're 20 aware of, other than what you learned from talking to 21 your lawyers, suggest that Miss Langemeier's 22 representations about being a like investor weren't 23 true?</p> <p>24 MR. BRADLEY: I think you've already answered 25 that question. I'm going to object. Asked and</p>	<p style="text-align: center;">64</p> <p>1 do you understand Loral Langemeier to have had skin in 2 the game?</p> <p>3 A So when we talk about the -- so I'm not 4 sure -- I mean, I -- I don't know how to answer that 5 question, because I know there's things that I know now 6 that we've talked about that -- I don't know how to 7 answer that question.</p> <p>8 Q Did Loral Langemeier invest money in --</p> <p>9 A So --</p> <p>10 Q -- programs that you invested in?</p> <p>11 MR. BRADLEY: To the -- to the extent that 12 you have knowledge to answer his question, as you 13 sit here today, whether you know that or not, you 14 can answer it. To the extent it came from 15 discussions with counsel --</p> <p>16 A (Continuing) Then -- yeah, okay. So ask me 17 the question again.</p> <p>18 Q Did Loral Langemeier invest in the same 19 programs that you invested in?</p> <p>20 A So we were at the Big Table and she told us 21 that she was -- she had skin in the game. And we 22 understood that she had -- she had -- these were all 23 investments that she was invested in just like we were.</p> <p>24 Q And that's true, isn't it?</p> <p>25 A That's what we understood when we were at the</p>
<p style="text-align: center;">63</p> <p>1 answered.</p> <p>2 A (Continuing) And so I can repeat what I said 3 before.</p> <p>4 Q Okay. You believe this sentence is true, 5 "Contrary to her representations, Langemeier was not a 6 like investor whose interests were aligned with those 7 of the plaintiffs," do you believe that's true?</p> <p>8 A That's why we wrote it.</p> <p>9 Q Okay. But Loral Langemeier did invest money 10 is Z Restaurant Group, didn't she?</p> <p>11 A She invested -- you know, it's -- those kind 12 of -- that information, that is what we understood when 13 she would be at the -- at the Big Table meetings and 14 she would tell us about the investment, she said she 15 had skin in the game.</p> <p>16 Q And that was true, right?</p> <p>17 A And we understood that to mean that she was a 18 like investor, that she invested in those things. And 19 so the skin in the game, she said that, and so we 20 trusted her because she was making these 21 recommendations to us.</p> <p>22 Q Did she have skin in the game?</p> <p>23 A When we were at the Big Table meetings, 24 that's what she told us.</p> <p>25 Q As you sit here today, do you -- did you --</p>	<p style="text-align: center;">65</p> <p>1 table, that she --</p> <p>2 Q I'm not talking about at the table. I'm 3 talking about as you sit in that chair today, for the 4 ladies and gentlemen of the jury, that statement was 5 true when she made it, wasn't it?</p> <p>6 A The -- so what we know is what she told us 7 and --</p> <p>8 Q You know what she told you is true?</p> <p>9 A What we know is what she told us.</p> <p>10 Q Do you know anything else?</p> <p>11 A And so that's what we know, is the things 12 that she told us.</p> <p>13 Q Are you aware of anything, as you sit here 14 today, in front of the ladies and gentlemen of the 15 jury, to suggest that what she told you about that was 16 false?</p> <p>17 MR. BRADLEY: And, Judge Gergel, I'm going to 18 object that that question has been asked and 19 answered.</p> <p>20 A (Continuing) And so tell me again.</p> <p>21 Q As you sit here today in front of the ladies 22 and gentlemen of the jury, are you aware of any facts 23 to suggest that what Loral Langemeier told you at the 24 seminars was false?</p> <p>25 A So we --</p>

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<p style="text-align: center;">66</p> <p>1 MR. BRADLEY: And I'm going to object. To 2 the extent that that knowledge you have comes from 3 a lawyer, you don't have to reveal it now. Now, 4 if you have independent knowledge, you can share 5 that, but if you don't, then you can state that 6 that's where your knowledge comes from.</p> <p>7 A (Continuing) So what -- what we know are the 8 things that we -- we wrote in our document and the rest 9 of that -- of what we know now came from our attorney.</p> <p>10 Q Okay. What is Action Real Estate Investments, LLC?</p> <p>11 A That was a -- an LLC that we set up to 12 manage -- you know, just to figure out how to manage 13 the investments and things that we did with Loral.</p> <p>14 Q When did you set it up?</p> <p>15 A Oh, my. You know what, I -- I don't recall 16 the exact date of when we sat that up.</p> <p>17 Q Why did you set it up?</p> <p>18 A So we set it up -- they -- they talked to us 19 about -- one of the things that they talked about at 20 the Big Table was how to -- how to, you know, protect 21 your investments in things, and they said that you 22 needed to have a limited liability company so that 23 you'd have a separate entity for each thing. And they 24 had a -- a person there, Your Entity Solutions person</p>	<p style="text-align: center;">68</p> <p>1 A Over time. 2 Q Yeah. 3 A So that's -- I mean, I kind of -- 4 Q Tell me a little bit -- let me ask a 5 different question.</p> <p>6 MR. BRADLEY: You asked the question. 7 MR. LITTLE: I know. 8 MR. BRADLEY: Let him answer the question.</p> <p>9 A (Continuing) So -- so, I mean, we -- we 10 worked very hard over a long period of time to 11 accumulate that and we -- we saved money, we tried to 12 live, you know, frugally. We -- we started learning 13 how to invest in real estate and we got the rental 14 properties.</p> <p>15 And we -- there was a change in the tax law 16 and -- where you could sell your primary home and not 17 pay taxes on the first portion of money, and so we 18 thought that would be a good way to take advantage of 19 that. And so we started moving to a new home, we moved 20 to a new home and sold our old home. And so we just -- 21 we saved and worked hard and -- and tried to do the 22 right thing.</p> <p>23 Q What real estate investment -- what was your 24 first real estate investment as a couple, do you 25 remember?</p>
<p style="text-align: center;">67</p> <p>1 that helped you set up entities and -- and so that -- 2 that's part of what Loral told us to do, is to set up 3 different entities and put different things in 4 different entities so -- just to protect all of them.</p> <p>5 Q Okay. Did -- did it ever do any business?</p> <p>6 A Well, what -- what are you asking me as far 7 as business goes?</p> <p>8 Q Did it ever do anything, Action Real Estate 9 Investments, LLC?</p> <p>10 A So --</p> <p>11 Q If so, what did it do?</p> <p>12 A Yeah. We -- we set that up and it -- it 13 never really -- it never really did anything. We 14 didn't --</p> <p>15 Q Never did anything?</p> <p>16 A We just kind of set it up.</p> <p>17 Q Okay.</p> <p>18 A Yeah.</p> <p>19 Q How many years -- well, let me ask you this: 20 Would you agree with me that when you came to Loral's 21 Big Table, the first one, that you and your wife had a 22 three million dollar net worth, roughly?</p> <p>23 A That's what, you know, we calculated when we 24 got there.</p> <p>25 Q And how did you accumulate that?</p>	<p style="text-align: center;">69</p> <p>1 A Our -- our -- like our first home that we 2 bought.</p> <p>3 Q Is that what it was?</p> <p>4 A I mean, that's the first piece of real estate 5 we ever owned.</p> <p>6 Q Okay. Did you --</p> <p>7 A So --</p> <p>8 Q -- consider that to be an investment 9 property?</p> <p>10 A Well -- bless you.</p> <p>11 Q Excuse me. Go ahead.</p> <p>12 A The -- you know, you -- a home, you know, is 13 a home, but it's also something that you always want 14 to -- I mean, it's not like you would necessarily stay 15 in the same home. Like our first home was, you know, a 16 small little starter home. And so in the sense that it 17 was an investment, knowing that, you know, our family 18 would grow and we wouldn't stay there forever, we 19 wanted to choose a wise first starter home that would 20 be a good -- that somebody would want to buy later when 21 we needed a bigger house to house our family.</p> <p>22 Q I see.</p> <p>23 A So -- so I guess that's an investment, right?</p> <p>24 Q Sir, I would think so.</p> <p>25 A Yeah.</p>

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<p>70</p> <p>1 Q But what was your first nonresidential piece 2 of real estate that you bought as an investment or 3 nonprimary residence, we'll call it?</p> <p>4 A So the first piece was -- well, the first two 5 were the -- the rental homes.</p> <p>6 Q The Rice Bay and Pritchard home?</p> <p>7 A Rice Bay and Pritchard, yeah.</p> <p>8 Q And when did you buy them?</p> <p>9 A So we bought those in -- again, I think we 10 put the dates and all of that stuff down, but I think 11 that that was the early -- the early '90s.</p> <p>12 Q Early '90s.</p> <p>13 A Yeah. Early to mid '90s.</p> <p>14 Q And you used leverage to acquire those, 15 didn't you?</p> <p>16 A So -- I think I can figure out the date. I 17 think we bought those when I was in the -- working at 18 the prison. And -- and so we actually, you know, 19 earned enough money to make the downpayments for those. 20 And then are you asking me did we get a loan on the 21 property, is that what you're asking?</p> <p>22 Q Do you know what leverage is?</p> <p>23 A So leverage is when you -- just using 24 something -- so leverage is like a loan, I mean, you 25 get -- you -- you have property and you --</p>	<p>72</p> <p>1 MR. LITTLE: We're not pretending anything, 2 Jim.</p> <p>3 MR. BRADLEY: Oh, well, you are. Okay. I 4 was playing along, that's all.</p> <p>5 MR. LITTLE: Don't embarrass yourself.</p> <p>6 BY MR. LITTLE:</p> <p>7 Q Just -- Dr. Lenes, if you would, take a look 8 at Tab B in the back of the book. These are some 9 supplemental discovery responses that you served. I'm 10 going to use this to try to help you with the timeline, 11 if I can. There are some real estate properties that 12 are listed on there.</p> <p>13 MR. BRADLEY: Which tab?</p> <p>14 MR. LITTLE: Tab B in the back of your book.</p> <p>15 BY MR. LITTLE:</p> <p>16 Q Does this help refresh your recollection?</p> <p>17 A So the High Battery Circle was our home. The 18 Isle of Hope was a lot that we bought that we wanted 19 to -- that we bought with our friends -- excuse me -- 20 that we wanted to build a house on and sell.</p> <p>21 Q Who were the friends?</p> <p>22 A Rick and Cyndi Mosteller.</p> <p>23 Q Did they -- obviously you-all wouldn't all 24 live in the same house together on the lot. So why 25 would you-all buy the lot together?</p>
<p>71</p> <p>1 Q Yeah.</p> <p>2 A Yeah, so --</p> <p>3 Q You took on debt to buy the rental 4 properties, right?</p> <p>5 A That's correct.</p> <p>6 Q Okay. How much debt did you take on in the 7 early '90s to do that?</p> <p>8 A So each house was -- the loan was around, I 9 think, 140, \$150,000.</p> <p>10 Q What was the next piece of investment real 11 estate that you bought after that?</p> <p>12 A So we bought -- I can't quite remember the 13 order. So we either did the --</p> <p>14 Q Tell you what, why don't we look at the --</p> <p>15 MR. BRADLEY: Go ahead and finish your 16 answer. And, Judge Gergel, I'd like you to 17 instruct Mr. Little in front of the ladies and 18 gentlemen of the jury to not interrupt the witness 19 when he's answering.</p> <p>20 MR. LITTLE: Jim, give me a break.</p> <p>21 MR. BRADLEY: Well, I --</p> <p>22 MR. LITTLE: I'm trying to -- I'm trying to 23 help --</p> <p>24 MR. BRADLEY: I thought we were pretending 25 that the jury is here.</p>	<p>73</p> <p>1 A So your question was asking me what 2 investment properties we bought, right?</p> <p>3 Q Yes. But you were going -- yes, it was.</p> <p>4 A And so, I mean, if you have buy an investment 5 property, it doesn't mean you're going to all live 6 together, right?</p> <p>7 Q Right. My -- my question is a little bit 8 different. If this was the property you intended to 9 build a home on, was it going to be your primary 10 residence with Miss Lenes?</p> <p>11 A No. It was -- I mean, it's to build a home 12 to sell.</p> <p>13 Q To build a home to sell --</p> <p>14 A Right.</p> <p>15 Q -- on spec?</p> <p>16 A Right.</p> <p>17 Q Okay.</p> <p>18 A You're -- are you making a distinction 19 between a home and a house?</p> <p>20 Q I thought you meant your home.</p> <p>21 A Okay.</p> <p>22 Q I'm sorry. So 53 Isle of Hope, that was 23 bought in 2000. Did you borrow money to do that?</p> <p>24 A I don't recall if we borrowed money or we 25 paid cash for that.</p>

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<p style="text-align: center;">74</p> <p>1 Q Was that the next -- this High Battery lot, 2 was that the next piece of investment real estate that 3 you bought after the two rental properties on Rice Bray 4 (sic) -- Rice Bay and Pritchard?</p> <p>5 A Which one now, which one are you talking about?</p> <p>6 Q The High Battery lot.</p> <p>7 A So the High Battery, that -- that -- that was our home. We lived there.</p> <p>8 Q Okay. I'm sorry. The Isle of Hope lot, was 9 that the next piece of investment real estate that you bought?</p> <p>10 A I think we -- I think 54 Sewell Street was 11 the next one.</p> <p>12 Q I see. Did you borrow money to buy that?</p> <p>13 A So that's -- so did we have a loan, is that 14 what you're asking?</p> <p>15 Q Yes. Did you borrow money to buy it?</p> <p>16 A Yes, we -- we had a loan and we bought that, 17 as well, with our friends.</p> <p>18 Q And you made some money on it when you sold 19 it --</p> <p>20 A That --</p> <p>21 Q -- correct?</p> <p>22 A -- that -- that was a house that we -- we had</p>	<p style="text-align: center;">76</p> <p>1 A Yes.</p> <p>2 Q Okay. So you didn't net anything?</p> <p>3 A Well, I mean, we actually lost probably a 4 little bit, just closing fees and those kind of things, 5 but...</p> <p>6 Q Sure. Is it fair to say that prior to ever 7 meeting or hearing of Loral Langemeier, you and your 8 wife had engaged in several uses of leverage in the 9 real estate market as investments?</p> <p>10 MR. BRADLEY: As you have now defined it?</p> <p>11 MR. LITTLE: As he defined it.</p> <p>12 A (Continuing) So as far as getting loans?</p> <p>13 Q Yes.</p> <p>14 A So we -- so when we -- when we bought 15 different pieces of property, we got loans to pay for 16 those.</p> <p>17 Q Right.</p> <p>18 A And so that's, you know, how we paid for 19 them.</p> <p>20 Q Have you ever heard of the term flipping with 21 regard to real estate?</p> <p>22 A I have recent, you know, and since -- since 23 meeting Loral Langemeier, that's where I learned about 24 flipping.</p> <p>25 Q Well, that was what you were doing before you</p>
<p style="text-align: center;">75</p> <p>1 a friend who was going through a divorce, and so we 2 bought a home, you know, to -- for her to rent to have 3 a place to live until -- until she could get things 4 together. It was either that --</p> <p>5 Q Were Rick and Cyndi Mosteller in on that deal 6 with you?</p> <p>7 A On the 54 Sewell, they were.</p> <p>8 Q Were they in on the 34 Sewell Street deal 9 with you, too?</p> <p>10 A To the best of my recollection, I think we 11 did that one on our own.</p> <p>12 Q Did you borrow money to buy that home?</p> <p>13 A So we borrowed money to buy that home.</p> <p>14 Q And you don't remember whether you borrowed 15 money to buy the Isle of Hope lot, right?</p> <p>16 A I don't -- I don't recall if we borrowed 17 money or paid cash for that.</p> <p>18 Q And you lost all your money in that deal, is 19 that correct?</p> <p>20 A That's not correct.</p> <p>21 Q Okay. It says, "lot reclaimed by developer." 22 Did you --</p> <p>23 A So he -- they bought it back at --</p> <p>24 Q Oh, they bought it back at what you paid for 25 it?</p>	<p style="text-align: center;">77</p> <p>1 ever met Loral Langemeier, isn't it?</p> <p>2 A Actually, from what I understand of the term 3 "flipping," that's not the case. And so what I 4 understand -- what I understood that flipping is, is you buy 5 a house and then you fix it up and then you sell it 6 within, you know, probably a short period of time and 7 hopefully for a profit. And so our -- our financial 8 plan was to live in homes and then sell them and then, 9 you know, move to another home --</p> <p>10 Q I see.</p> <p>11 A -- during the course of five years. So -- so 12 I -- I did not understand what we were doing to be 13 flipping homes. When we bought these other pieces of 14 real estate, that was, you know, to help care for our 15 friend that needed a place to live. And so we 16 didn't -- it wasn't that we were trying to just flip a 17 piece of real estate.</p> <p>18 Q I see. Did you -- is it fair to say that all 19 of your prior real estate experience before meeting 20 Loral Langemeier involved leverage?</p> <p>21 A So all of our prior, we got loans --</p> <p>22 Q Yeah.</p> <p>23 A -- for all of our prior real estate except 24 maybe that one lot. We might have paid cash for it.</p> <p>25 Q Besides working hard and making good real</p>

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78 1 estate investments, did you and your wife inherit any 2 money? 3 A So when my mother died, we -- she left us 4 General Electric stock. 5 Q How much General Electric stock are we 6 talking about? 7 A Right around 5,100 shares at the time, it 8 was -- and -- and some mutual funds, a few mutual 9 funds, right -- it was right around \$200,000. 10 Q Did you inherit anything else? 11 A Uh-uh (negative), that's it. 12 Q I see. What property is located at 18 13 Resolute Lane, is that an investment that you and your 14 wife made? 15 A 18 Resolute Lane, I -- I'm not sure of that 16 address. 17 Q Okay. There are some documents that were 18 produced related to real estate investments that you 19 made and that was one that came up. Is that one on 20 which -- 21 A Oh, is that the commercial building, is that 22 18 -- I think -- 23 Q I don't know. 24 A -- you know, it's -- I think that's probably 25 the -- I never called it by that name, and so I don't	80 1 MR. LITTLE: I'm asking if he knows. 2 A (Continuing) I do not know. 3 Q Okay. Have they told you anything about why 4 they haven't started any kind of foreclosure 5 proceeding? 6 A It -- it's with Bank of America. It's -- 7 trying to find out anything from them is almost 8 impossible. 9 Q I understand. What's the debt service on the 10 house? 11 A The first loan is two -- about \$266,000, 12 somewhere around there, and the second loan is right 13 now around 680, 690. 14 Q What do you estimate the value of your home 15 to be? 16 A Somewhere around 800 to 850,000. 17 Q All right. Let's take a look at this Tab B 18 in front of you here. There were some investments that 19 you made in something called Delmas Towers and 5th 20 Street Tower in San Jose? 21 A Uh-huh (affirmative). 22 Q That was about \$600,000 that you and your 23 wife invested, is that right? 24 A Uh-huh (affirmative). 25 Q Did Loral Langemeier instruct you to make
79 1 have that in my memory, but I think that -- that's 2 probably the commercial building or CM3 or the 3 commercial building or -- we've called it different 4 things. 5 Q I see. Which properties -- 6 A So I think that's it, yeah. 7 Q Which properties did you lose by virtue of 8 defaulting on loans? 9 A We lost the lot on the harbor and we lost 10 both of the rental homes. And -- and then that's all 11 the -- you know, the properties that we've lost. We 12 haven't lost our home yet, but that -- 13 Q Is that becoming increasingly difficult? 14 A That's -- it's sort of a -- I'm not sure 15 where we are with that. 16 Q Is it in nonpay status? 17 A So the second mortgage is in nonpay. 18 Q And they haven't started any foreclosure 19 proceedings on that second lien? 20 A Not to my knowledge. 21 Q They don't want to take it because they'll 22 probably get wiped out, right? 23 A Well -- 24 MR. BRADLEY: Objection. Asking the witness 25 to speculate.	81 1 those investments? 2 A So when she talked to us on how to allocate 3 our assets -- 4 (Cellular telephone interruption.) 5 A (Continuing) Sorry about that, I thought I'd 6 turned that off. I apologize. 7 Q That's okay. 8 A I'll just turn it off, if you'll forgive me. 9 Sorry. There's a way to do that. Sorry. I apologize. 10 I really thought I had done that. 11 Q That's okay. 12 A Tell -- ask me the question again. 13 Q Did Loral Langemeier instruct you or advise 14 you to make these investments at Delmas Towers and 5th 15 Street Tower in California? 16 A So when we -- when we went to the Big Table, 17 she talked about how to allocate your assets, and so 18 the principal was real estate, there -- a certain 19 amount of your assets are in real estate and some was 20 in promissory notes and some was in oil, some was in 21 business. 22 And so -- so she did not teach us about 23 Delmas Towers. What she recommended to us was that we 24 invest in -- in real estate and promissory notes. And 25 so those -- those two investments we learned from her,

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<p style="text-align: center;">82</p> <p>1 but she did not recommend those. 2 Q She didn't recommend these. So she didn't 3 sell you these investments, correct? 4 MR. BRADLEY: Referring -- referring to 5 Delmas Towers and 5th Street Tower? 6 MR. LITTLE: Yes, I think we all know what 7 we're talking about. 8 A (Continuing) So these two investments, she 9 did not recommend those. 10 Q Right. 11 A Yeah. 12 Q Why did you do those deals? 13 A The -- the portion of our -- our asset 14 allocation that was for real estate, we -- we wanted to 15 figure out what kind of real estate to put in those. 16 Loral recommended that we have a portion in real 17 estate, and so we had done single family homes, you 18 know, we had our rental properties, and we spent a lot 19 of time working on them. And we were not wanting to do 20 a whole lot of labor on individual rental properties, 21 and so we thought this was a viable alternative to 22 that. 23 Q Were these condos or office, or what were 24 they? 25 A So these were -- so these -- those were two</p>	<p style="text-align: center;">84</p> <p>1 So at the time, we felt we were appropriate investors. 2 Q Dr. Lenes -- 3 MR. LITTLE: Object, nonresponsive. 4 BY MR. LITTLE: 5 Q -- my -- my question is a little bit 6 different, okay? Were you suitable for these 7 investments, were you capable of evaluating the risks 8 and merits of investing in Delmas Towers and 5th Street 9 Tower? 10 A We -- 11 Q You can answer. 12 MR. BRADLEY: Object to the form of the 13 question. It's a compound question. 14 A (Continuing) Okay. So at that -- at that 15 time, we understood that we could make those 16 investments. 17 Q Did you know the deal was risky, Delmas 18 Towers and 5th Street Tower? 19 A The -- here's -- here's what -- here's what 20 we knew, we knew that Loral had said you have these, 21 you divide up your investments between real estate and 22 oil and gas and all that and that she would -- that -- 23 that if you had -- there's land associated with this, 24 so we -- we did not understand it to be risky at the 25 time.</p>
<p style="text-align: center;">83</p> <p>1 loans for two condo projects. 2 Q Did Loral Langemeier talk to you at all about 3 investing in condos in California? 4 A She talked about a number of real estate 5 investments. She talked about condos in Georgia and 6 real estate investments in Georgia and she talked about 7 them in Ohio and she talked about them in Missouri. 8 And at our table, she talked about developing in 9 California. And so as far as condos in California 10 specifically, she talked about real estate development 11 in a number of different areas. 12 Q Were you suitable to make those investments? 13 A So when he -- 14 Q In Delmas Towers and 5th Street Tower? 15 A So when you ask were we suitable, what are 16 you asking me? 17 Q Let me -- let me unpack that a little bit. 18 When you made these investments in Delmas Towers and 19 5th Street Tower in California where you lost all your 20 money, were you capable of understanding and evaluating 21 the merits and risks of those investments? 22 A We -- we went to Loral, who taught us how you 23 can become, you know, wise investors. And -- and so 24 she had a course about, you know, how you -- how you 25 can manage those things and she taught us how to do it.</p>	<p style="text-align: center;">85</p> <p>1 Q Okay. 2 MR. LITTLE: Object, nonresponsive. 3 BY MR. LITTLE: 4 Q I think I understood your answer to be that 5 you did not understand Delmas Towers and 5th Street 6 Tower to be risky at the time you made those 7 investments. Is that correct? 8 A We were -- we were taught, you know, how to 9 manage those kind of things, and so we did not 10 understand them to be risky at the time. 11 Q What about Metra Mezzanine I, LP, and 1800 12 Primrose Limited Partnership, did you understand those 13 to be risky? 14 A Those were -- those are apartment buildings 15 in Texas and those are -- they're still operational. 16 Q Have they made you any money? 17 A Those have not made us any money. 18 Q What's happening to those investments? 19 A So they're -- right now they're -- they're 20 operating apartment complexes and -- 21 Q Are they operating at a loss? 22 A They are, to the best of my knowledge, 23 operating at a small loss right now. 24 Q Did you understand those to be risky? 25 A Those were part of the real estate</p>

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<p style="text-align: center;">86</p> <p>1 investments, as well.</p> <p>2 MR. LITTLE: Object, nonresponsive.</p> <p>3 A (Continuing) And so they -- well --</p> <p>4 MR. BRADLEY: He's answering your question.</p> <p>5 Let him finish this -- his answer.</p> <p>6 A (Continuing) I just want to finish. And</p> <p>7 it's -- it's a little hard to keep my train of thought</p> <p>8 when you do that, so -- I mean, if you want to do</p> <p>9 that --</p> <p>10 Q No, go ahead.</p> <p>11 A If you wouldn't mind just waiting a little</p> <p>12 bit until I finish, that would be good.</p> <p>13 Q I will.</p> <p>14 A So when -- so when we made those</p> <p>15 investments -- you want to ask me the question again.</p> <p>16 Q Yes. Did you understand the -- your</p> <p>17 investments in Metra Mezzanine I, LP and 1800 Primrose</p> <p>18 Limited Partnership to be risky?</p> <p>19 A So from what we had learned from the</p> <p>20 recommendations and things that Loral made, we did not</p> <p>21 consider those to be risky.</p> <p>22 Q All right. I'm going to ask you the same</p> <p>23 question about the other investments on this page, on</p> <p>24 this -- in this document. And --</p> <p>25 A Do you want me to --</p>	<p style="text-align: center;">88</p> <p>1 that was already making money and had, you know,</p> <p>2 positive cash flow and that this was a -- there were</p> <p>3 plans to expand it and produce more. And so she -- she</p> <p>4 never mentioned that there was any risk associated with</p> <p>5 that.</p> <p>6 Q Did you understand it to be risky,</p> <p>7 Renaissance Laser?</p> <p>8 A So she -- she was teaching us, we -- she</p> <p>9 would have told us if it was risky.</p> <p>10 Q Did you understand Coastal Serenade to be a</p> <p>11 risky investment?</p> <p>12 A So Loral told us that Debbie Murray, who is</p> <p>13 the principal in that group, was an expert at turning</p> <p>14 around companies. She told us that it was an already</p> <p>15 established business that was making money, but that</p> <p>16 the owners were just ready to, you know, move on and do</p> <p>17 something else, that Debbie Murray was excellent at</p> <p>18 turning around businesses and that she was the poster</p> <p>19 child of business plans and turning around businesses.</p> <p>20 And so we did not -- she never told us about any risk</p> <p>21 associated with that.</p> <p>22 Q Did you understand --</p> <p>23 A So --</p> <p>24 Q -- Coastal Serenade to be a risky investment?</p> <p>25 A So when she never told us about risk and she</p>
<p style="text-align: center;">87</p> <p>1 Q Just one second. I'll ask you a question.</p> <p>2 Did you understand your investments in Z Restaurant</p> <p>3 Group to be risky?</p> <p>4 A So we -- we -- here's what we understood.</p> <p>5 Loral was the person who made millionaires, she's the</p> <p>6 one who taught how to do these things, she recommended</p> <p>7 the Z Restaurant Group. She recommended that we be</p> <p>8 involved in that, that she was involved in it. And so</p> <p>9 she -- she taught that when you have a good team, you</p> <p>10 have a -- you know, you just -- you'll -- you'll</p> <p>11 succeed.</p> <p>12 And she -- David Zebny, she described him as</p> <p>13 a -- as a person who had a master's in business from</p> <p>14 Harvard, that had managed a large sum of money for</p> <p>15 Fidelity in their real estate investment arm, that he</p> <p>16 successfully operated a restaurant just like that in</p> <p>17 California, and that there was no risk, you know, in</p> <p>18 being involved in the Z Restaurant Group.</p> <p>19 Q All right. Was Renaissance Laser LP a risky</p> <p>20 investment?</p> <p>21 A So when we became involved with that, she</p> <p>22 described the -- Scott and Mike, who were doing that,</p> <p>23 and she said that they didn't even really need our</p> <p>24 money, that they were doing this as a favor to her, and</p> <p>25 that she was -- that this was an established company</p>	<p style="text-align: center;">89</p> <p>1 was involved, and she recommended it, then there</p> <p>2 wouldn't be risk associated with that.</p> <p>3 Q Did you understand STG Investors, LLC to be a</p> <p>4 risky investment?</p> <p>5 A So when she told us about investing in</p> <p>6 Supplements To Go, she told us about the principals and</p> <p>7 that they already were successfully managing World</p> <p>8 Class Nutrition and that they would be able to combine</p> <p>9 the Supplements To Go, a lot of the shipping and those</p> <p>10 kind of things so that the overhead and some of the</p> <p>11 expenses associated with the business would not be</p> <p>12 high, that they had experts involved in doing Internet</p> <p>13 searches and optimization and, you know, having</p> <p>14 customers come to their Web site to buy their products,</p> <p>15 that they were experts in that field, that there was a</p> <p>16 company that had just sold for a large amount of money</p> <p>17 just like that, that we would keep this and sell it and</p> <p>18 that we would make a very large, you know, return on</p> <p>19 the money that we invested and that -- that she was</p> <p>20 invested in it and that there was -- you know, that she</p> <p>21 had skin in the game, there was not -- she never -- she</p> <p>22 never told us about any risk associated with that.</p> <p>23 Q Did you understand it to be risky when you</p> <p>24 made the investment?</p> <p>25 A So when she told us all those things about</p>

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<p style="text-align: center;">90</p> <p>1 the company and that she was invested in it, then we -- 2 we would not -- I mean, we did not think that that was 3 a risky investment.</p> <p>4 Q At the time you invested in BioNovix, did you 5 understand that to be a risky investment, sir?</p> <p>6 A So when she told us about BioNovix, she again 7 talked about that the person -- so that was a compound 8 called Xanthohumol that were -- that they had developed 9 and that the scientist who developed that was at 10 Vanderbilt, there were published papers on it, that it 11 was -- he had developed previous compounds and they had 12 marketed those and done very well with them, that he 13 had a good relationship with her and with the 14 principals of that company, and that they were working 15 together, that she brought together a large number of, 16 you know, experts and they were going to do a 17 multi-level marketing approach for that. And so they 18 had people that were well-known in that field who were 19 developing the program so that it would -- it would be 20 exactly right.</p> <p>21 She told us that that company, within five 22 years, would go to 600 million dollars. She told us 23 that it -- that she would essentially make 12 -- 12 24 times return on that from what we invested and that she 25 never -- she never mentioned risk associated with that.</p>	<p style="text-align: center;">92</p> <p>1 together an excellent team, that she was involved, that 2 this was a good molecule, that it was -- she talked 3 about how it was manufactured in Germany, and that it 4 was going to take five years to really develop the 5 company to where we could sell it.</p> <p>6 Q Was there any risk in BioNovix?</p> <p>7 A So Loral Langemeier never talked about risk 8 associated with that.</p> <p>9 Q Did you learn about any risk anywhere else?</p> <p>10 A We learned about risk after the company 11 failed.</p> <p>12 Q After the company failed, okay.</p> <p>13 A That's when we learned about risk.</p> <p>14 Q Was there any kind of risk in 15 IRR-Residential, LLC?</p> <p>16 A So when Loral recommended that to us, she 17 said that one of the principals involved with IRR was a 18 former Federal Reserve regional bank person. I'm 19 sorry. I've just forgotten the nomenclature for that, 20 the -- the Federal Reserve. So he was involved in 21 that, that -- that IRR-Residential was an established 22 company, that essentially they were franchising it and 23 building -- building kind of like a network so that 24 they could pull at large national accounts and funnel 25 them out through their network, that the company had</p>
<p style="text-align: center;">91</p> <p>1 Q So you didn't -- at the time you made your 2 BioNovix investment, you did not understand there to be 3 risk associated with that investment, is that correct?</p> <p>4 A So she told us that you -- you have experts 5 that are involved, you have a good team, you have a 6 good product, you know, those sorts of things. And 7 so --</p> <p>8 Q Yeah.</p> <p>9 A -- when you have all of that, you have a 10 successful business.</p> <p>11 Q And, Dr. Lenes, I just want to be clear, 12 based on what Loral Langemeier told you, you thought 13 you were going to get a 12 times return on your money 14 for zero risk, is that what I understand?</p> <p>15 A So we felt that we were going to get a 12 16 times return on our money, and she never really talked 17 about risk. And so it's -- it's not something that 18 came into the picture so much. So it's not a correct 19 characterization to say that we thought for zero risk, 20 we would get a 12 turn -- she -- she really told us 21 that there was -- there was -- she never mentioned risk 22 about that and --</p> <p>23 Q What level of risk did you understand there 24 to be in BioNovix, if any?</p> <p>25 A So we understood that she was getting</p>	<p style="text-align: center;">93</p> <p>1 already been in existence and was already making money 2 and this was the way to grow that investment, and that 3 she never -- she never mentioned any risk associated 4 with that.</p> <p>5 Q So what -- what return on your money did you 6 expect in IRR-Residential?</p> <p>7 A So, over the course of the next several 8 years, we -- we thought that there would be probably -- 9 in the -- in the papers, it said specifically, and so 10 I'm -- I'm trying to -- we've really talked about a lot 11 of -- a lot of investments, and so I'm trying -- some, 12 you know, are more clear than others. And so I think 13 this one was either a, you know, triple return or 14 doubling our money, something --</p> <p>15 Q Somebody told --</p> <p>16 A -- something along --</p> <p>17 Q -- somebody told you you would make two or 18 three times your money for no risk, right?</p> <p>19 A So not somebody --</p> <p>20 MR. BRADLEY: Objection. Mischaracterizes 21 the testimony.</p> <p>22 A (Continuing) Not somebody told us. So Loral 23 told us, and in the -- in the documents, there's -- 24 there's essentially what the pattern of -- when they 25 would -- when they'd write out a business plan, they'd</p>

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<p style="text-align: center;">94</p> <p>1 say this is what you'll make, you know, over a 2 particular period of time.</p> <p>3 Q A pro forma projection?</p> <p>4 A Yes. I think that's what that's called.</p> <p>5 Q Sure. So you expected you were going to make 6 two to three times your money for zero risk based on 7 what Loral told you, is that right?</p> <p>8 MR. BRADLEY: Objection. Mischaracterizes 9 the testimony.</p> <p>10 BY MR. LITTLE: 11 Q Is that right?</p> <p>12 A Again, what we -- what we said was that we 13 didn't -- Loral never mentioned risk. She focused on 14 what the returns would be and how good the investment 15 was and the urgency of investing in the investment and 16 the -- how you would get to -- get to your freedom day 17 or happy day or whatever it's called. And so those are 18 the things that she focused on when she recommended the 19 investments to us.</p> <p>20 Q Was -- were you aware of any risk in the Oil2 21 Holdings investments?</p> <p>22 A So with Oil2, we had never really thought 23 about investing in oil before and -- until we went to 24 the Big Table and she recommended that as part of our 25 asset allocation and as -- and she told us that the</p>	<p style="text-align: center;">96</p> <p>1 the -- there's costs associated with drilling a well, 2 and because the government, you know, at least used to 3 want you to drill wells, and so to encourage that, they 4 gave you tax incentives.</p> <p>5 And so you -- they knew how to set it up that 6 you could get those tax advantages. So you -- you save 7 money on your taxes and then you had a guaranteed 8 return on your investment over time.</p> <p>9 Q You understood the Oil2 programs to be 10 guaranteed returns on your investment over time?</p> <p>11 A We understood that -- that -- she --</p> <p>12 Q Is that right?</p> <p>13 A -- she told us that we would --</p> <p>14 MR. BRADLEY: Let him answer your question.</p> <p>15 A (Continuing) She -- she told us that we 16 would -- as we invested this much money, you would get 17 this -- this much return. And so they had a way of 18 calculating roughly, you know, what -- from their -- 19 from their history of how much they'd always paid, then 20 you would put this money in and you would get paid, you 21 know, this much over the life of all of these wells, 22 and that -- you know, that an oil well had a particular 23 lifespan, you know, it didn't pump forever and ever. 24 And so you just kept going with the investments all 25 along so that you always had a stream of income, you</p>
<p style="text-align: center;">95</p> <p>1 way -- when you -- when you invest in oil wells, the 2 old way of doing it was you put a bunch of money in one 3 well, and if that well were a dry hole, then you would 4 have lost all your money.</p> <p>5 And so the way that they did it was they 6 developed a -- where you would buy small portions of a 7 bunch of wells. And it started out you'd have 20, 20 8 or 25 wells in a particular month, like they'd package 9 together 20 wells for the April '06 oil, gas -- oil and 10 gas fund, whatever the nomenclature they called it.</p> <p>11 Q Okay.</p> <p>12 A And so out of those 20 wells, eight -- eight 13 out of 10, 16 out of 20 would produce a return and the 14 four -- two or three or four that didn't, you know, was 15 more than offset by the 16 that did. And so she -- she 16 said there -- she never mentioned any risk. She -- she 17 said that that's how you make sure that you get a 18 return on -- on oil and gas investments.</p> <p>19 And this, she said was a proprietary system, 20 that they'd figured out how to do that, and that the 21 FCC approved it, and that it was a way, you know, you 22 invest -- you invest money as you go along in oil and 23 gas and then you get -- she told us, too, that you 24 get -- that there are incentives built into oil and gas 25 investing where you get to deduct from your taxes what</p>	<p style="text-align: center;">97</p> <p>1 know, coming from those wells and that you would 2 replace, you know, the investment that you had in that 3 well and then you continued to make, you know, money 4 past that.</p> <p>5 Q What was the risk level of that investment in 6 Oil2 Holdings?</p> <p>7 A I -- I don't understand what you're asking.</p> <p>8 Q Was there any risk in your investments in 9 Oil2 Holdings that you were aware of?</p> <p>10 A So she never described any risk and, in fact, 11 said that because you did it this way, there -- there 12 wasn't risk associated with it.</p> <p>13 Q Oh, I see. She affirmatively told you that 14 there wasn't risk associated with it?</p> <p>15 A Because you're -- she -- what she said was, 16 is that you get -- you know, you'll have a guaranteed 17 return associated with these oil wells.</p> <p>18 Q Was there any risk in the Vetrazzo 19 investment?</p> <p>20 A So Vetrazzo, what she told us when she 21 recommended it was that Jim Sheppard, James Sheppard, 22 who -- and there's another woman who is involved with 23 him in Vetrazzo, that they were graduates of an earlier 24 Big Table and that she essentially taught them how 25 to -- how to do this business, how to do business and</p>

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<p style="text-align: center;">98</p> <p>1 how to make good investments. 2 And she recommended that we be involved in 3 this because they were a good team and they had found a 4 business that -- so Vetrazzo was a -- used recycled 5 glass to make countertops. And -- and so it was -- 6 it's a green -- it was a green product. And so it 7 was -- as -- as our country has gone more towards green 8 things, it was the up and coming kind of a product. 9 And so there was going to -- there's a great 10 market for it, especially in California, which is where 11 the company was based, that they had -- knew how to 12 access a lot of California grant money to develop the 13 business, so there was -- there was resources available 14 for them to make the company and to grow it, that it 15 was a green product, so there was a big market for it, 16 that the team involved knew how to do this, that the 17 person that they bought the company from that, you 18 know, knew the process and everything was going to be 19 involved with them to, you know, just make a good 20 transition and make the company.</p> <p>21 And so she said that this was a good 22 investment, she recommended it to us, it fit into our 23 schema. And so she never -- she never mentioned risk 24 associated with that when she made that investment.</p> <p>25 Q I see. Well, in your fourth supplemental</p>	<p style="text-align: center;">100</p> <p>1 these investments to us, she never disclosed that there 2 was risk to us. 3 Q My question was different, Dr. Lenes, and 4 I'll -- I'll try to clarify for you. At the time that 5 you and your wife put money into the investments that 6 are disclosed in your fourth supplemental responses to 7 our discovery requests, which of them did you 8 understand to contain a risk, any of them? 9 A So -- so when Loral recommended these, she 10 said -- she did not mention risk and she said that this 11 is -- these are the things that we're doing to make 12 sure that these businesses are successful. And she 13 said that you'll have such and such a return on this 14 business. And she said that, you know, over this 15 period of time, you'll make this much money and -- and 16 we'd be that much closer to the day when we would be 17 independent, you know, that we would reach our -- our 18 freedom day, that we'd be able to, you know, go do some 19 of the things that we had hoped to do. 20 Q At the time that you and your wife put money 21 into the investments that are disclosed here in your 22 fourth supplemental discovery responses, is it fair to 23 say that you did not understand any of them to have 24 risk? 25 A It's -- we -- we went to Loral to -- to be</p>
<p style="text-align: center;">99</p> <p>1 responses and objections to our discovery requests, 2 you've got a long list here of different investments 3 that you and your wife made over the last five years, 4 is that right? 5 A Where, where are you? 6 Q In Tab B. 7 A Tab B. 8 Q Same place you are. 9 A Like these pages here? 10 Q Yes, sir. Tell the ladies and gentlemen of 11 the jury which of these investments contained any risk. 12 A So when we -- when we -- when Loral 13 recommended Z Restaurant Group, we did not understand 14 that there is risk associated with that. 15 Q Okay. 16 A When Loral recommended Renaissance Laser, we 17 did not -- she never mentioned risk. When Loral 18 recommended Coastal Serenade, on down through the whole 19 list. 20 Q Through the entire list, there's no risk on 21 any of these investments, right? 22 MR. BRADLEY: Mischaracterizes testimony. 23 A (Continuing) So -- so you're -- what I'm 24 saying is -- is that -- do you want me to repeat it? 25 What I'm saying is -- is that when Loral recommended</p>	<p style="text-align: center;">101</p> <p>1 exposed to investments, you know, with a good return. 2 And we -- we did -- she -- she never -- she never 3 mentioned risk. And -- and so it's -- she's the one -- 4 so we -- we -- we gave her money. Because we did that, 5 she -- she made investments available to us, she 6 recommended those investments. 7 We disclosed to her, you know, all of our 8 resources, and we felt that she was -- she had a -- she 9 knew all about us, she knew our resources. She knew 10 that -- where we were coming from, she knew what our 11 goals were, what we hoped to do, and that she -- we 12 trusted her and felt that she had an obligation, you 13 know, to steer us in the right direction. 14 Q And because you trusted her, you didn't think 15 any of these investments had risk, is that right? 16 A Because we trusted her, we felt that she 17 would not recommend an investment that was not 18 appropriate for us. 19 MR. LITTLE: Object, nonresponsive. And he's 20 going to need to change the tape in a second, so 21 why don't we take a short break. 22 A (Continuing) Take a short break, can we do 23 that, and I can -- thank you. 24 MR. BRADLEY: Yeah. 25 VIDEOGRAPHER: Off the record at 11:17, Tape</p>

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<p>102</p> <p>1 No. 2.</p> <p>2 (Recess taken.)</p> <p>3 VIDEOGRAPHER: This is Tape No. 3 of the</p> <p>4 deposition of Dr. Steven Lenes. We're on the</p> <p>5 record at 11:25.</p> <p>6 BY MR. LITTLE:</p> <p>7 Q Dr. Lenes, did anyone ever tell you anything</p> <p>8 about risk with respect to the investments contained in</p> <p>9 your fourth supplemental discovery responses?</p> <p>10 A The -- when -- when Loral recommended these</p> <p>11 investments to us, we talked about the returns, we</p> <p>12 talked about why they were good investments, the team,</p> <p>13 we talked about all those things. We really -- we just</p> <p>14 did not talk about risk, and so she -- she did not</p> <p>15 mention, you know, risk associated with that.</p> <p>16 Q Dr. Lenes, that wasn't my question, okay?</p> <p>17 And let's leave Loral Langemeier aside for a second.</p> <p>18 Did anyone besides Loral Langemeier ever tell you</p> <p>19 anything about risk with respect to the investments</p> <p>20 identified in your fourth supplemental discovery</p> <p>21 responses?</p> <p>22 A So are you asking me did any of her team talk</p> <p>23 about risk --</p> <p>24 Q Did anyone?</p> <p>25 A -- or --</p>	<p>104</p> <p>1 year for missionary doctors. I wanted to go fill in</p> <p>2 for somebody so they could go to that conference. And</p> <p>3 then I would be able to support myself in doing that.</p> <p>4 I mean, those are the kind of things I</p> <p>5 thought about, and she -- she said we would get these</p> <p>6 kind of returns. And so I thought, okay, I'm -- I'm</p> <p>7 going to be able to do this.</p> <p>8 Q Did you ever see or hear anything from anyone</p> <p>9 prior to making your investments that you complain</p> <p>10 about in this lawsuit about risk?</p> <p>11 A Loral didn't mention risk.</p> <p>12 MR. LITTLE: Object, nonresponsive.</p> <p>13 A (Continuing) We talked about return. We --</p> <p>14 we -- I guess I didn't finish answering yet. And so</p> <p>15 when you -- when you do that, you get me a little off</p> <p>16 track, so -- so when -- do you want to ask me the</p> <p>17 question again?</p> <p>18 Q Yeah. Did anyone ever tell you anything</p> <p>19 about the risk involved in the investments that you</p> <p>20 identify in your fourth supplemental discovery</p> <p>21 responses?</p> <p>22 A Okay. So when we -- when we made these</p> <p>23 investments, we talked about the return. We talked</p> <p>24 about all the aspects of it. We talked about</p> <p>25 allocating our resources and -- and we didn't -- we</p>
<p>103</p> <p>1 Q Anyone at all.</p> <p>2 A So what -- what we all talked about, you</p> <p>3 know, the other people at the table, we talked about</p> <p>4 the returns, you know, that the investments would</p> <p>5 return. And we talked about really how -- I mean,</p> <p>6 Loral -- Loral -- you can't just lay aside Loral. We</p> <p>7 were just very thankful that she would bring these --</p> <p>8 these investments to us and recommended them.</p> <p>9 And so we talked about, you know, the -- the</p> <p>10 return of the investments. I mean, those are the kind</p> <p>11 of things we -- we just had not seen returns like those</p> <p>12 kind of things before.</p> <p>13 Q Did --</p> <p>14 A So we -- we -- really, we didn't -- we were</p> <p>15 thinking about the returns and the investments and</p> <p>16 those sorts of things, you know. We didn't think about</p> <p>17 risk. She didn't -- she didn't talk about risk. It's</p> <p>18 a -- we were thinking that -- what she talked about</p> <p>19 was, you know, our freedom day.</p> <p>20 And so we're thinking, gosh, you know, part</p> <p>21 of what my -- my hope was, I am a physician, and I -- I</p> <p>22 was really hoping that I would be able to support</p> <p>23 myself and go overseas and work in -- in hospitals and,</p> <p>24 you know, relieve missionary -- longstanding missionary</p> <p>25 physicians. They have a big conference in Kenya every</p>	<p>105</p> <p>1 didn't talk about risk.</p> <p>2 Q Did you ever hear anything about risk related</p> <p>3 to your investments prior to making them?</p> <p>4 A We -- to the best of my recollection, we did</p> <p>5 not -- we did not know about risk.</p> <p>6 Q Thank you. What did you pay Miss --</p> <p>7 A What we -- what we -- what we did expect was</p> <p>8 that we would have -- that we would be presented</p> <p>9 with -- with recommendations that would be appropriate</p> <p>10 for us.</p> <p>11 Q What did you pay Loral Langemeier for those</p> <p>12 recommendations, directly or indirectly?</p> <p>13 A So in coming to the Big Table, we were -- we</p> <p>14 were told that that's how you had access to these</p> <p>15 investments that she recommends and that that was -- we</p> <p>16 got that -- got that information in there, you know,</p> <p>17 somewhere -- somewhere around 18, 12, \$18,000.</p> <p>18 Q Okay. Turn to Exhibit 1 in the book in front</p> <p>19 of you, if you would. Is this the money that you paid</p> <p>20 Loral Langemeier for her recommendations, sir?</p> <p>21 A We did pay that, and what I don't -- what I</p> <p>22 don't recall, you know, from that is if we paid another</p> <p>23 amount for -- for me to come to that, so I just -- just</p> <p>24 don't recall that.</p> <p>25 Q And in conjunction with paying the money</p>

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<p style="text-align: center;">106</p> <p>1 that's identified by the invoice in Exhibit 1, did you 2 sign the contract that's identified as Exhibit 2?</p> <p>3 A The coaching resource performance contract?</p> <p>4 Q Yes.</p> <p>5 A Yeah.</p> <p>6 Q Loral's Big Table agreement?</p> <p>7 A Yeah. That's -- that's my signature.</p> <p>8 Q Did you understand that you were going to be 9 getting investment advice after you signed this 10 contract?</p> <p>11 A What we understood was that we would --</p> <p>12 MR. BRADLEY: And -- and I'm going to -- I'm 13 sorry, hold on. I'm going to object to the extent 14 that calls for a legal conclusion.</p> <p>15 A (Continuing) So -- so let me -- I'm just 16 going back to one question, I just see this right here, 17 the 17,990 double tuition, includes course materials, I 18 think that's what I'm thinking of, so that's why I'm a 19 little confused by this invoice. But there -- so I'm 20 not sure if there's another invoice or what exactly is 21 going on. So that's where that -- where I'm thinking 22 18,000.</p> <p>23 Q I see.</p> <p>24 A So now would you ask me your question again?</p> <p>25 Q Yes. Did you understand this contract</p>	<p style="text-align: center;">108</p> <p>1 that are only available through Loral. And so when we 2 said that we were coming, what we understood was -- is 3 that Loral would be making those investments available 4 to us. She'd recommend, she'd figure out how -- you 5 know, what we should do and we'd be able to be involved 6 in -- in investments that would -- you know, where 7 essentially our money would work and we wouldn't have 8 to work so hard.</p> <p>9 MR. LITTLE: And I'm going to have to object 10 as being nonresponsive because my question was a 11 little bit different.</p> <p>12 BY MR. LITTLE:</p> <p>13 Q Did you understand that when you --</p> <p>14 A Oh, by the way -- oh, I just interrupted you. 15 I'm sorry. Go ahead.</p> <p>16 Q That's okay. By the way what?</p> <p>17 A I was going to say thank you for waiting till 18 the end to object.</p> <p>19 Q I'm trying.</p> <p>20 A Yeah.</p> <p>21 Q Did you understand that this contract was 22 going to entitle you to investment advice from Loral?</p> <p>23 MR. BRADLEY: Objection, asked and answered. 24 Objection, calls for a legal conclusion.</p> <p>25 A (Continuing) And so what I understood was</p>
<p style="text-align: center;">107</p> <p>1 entitled you to -- entitled you to investment advice 2 from Loral Langemeier?</p> <p>3 MR. BRADLEY: Objection. Calls for a legal 4 conclusion.</p> <p>5 A (Continuing) So this -- what we understood 6 was -- is what Loral's agent, Robert, told us, is that 7 Loral has increased her net worth, she became -- she 8 became a millionaire, she knows how to do that, that 9 she could make us that way, and that she has 10 investments that she recommends that are only available 11 to people in the -- on the Big Table.</p> <p>12 And part of what was difficult for us and why 13 this appealed to us is that we -- we -- we've already 14 gone over how -- the work that we've done, the sweat 15 hours that we put in to develop, to get to the point 16 that we had gotten to. And we saw, you know, people 17 that we knew in the Charleston community that would 18 invest in different other opportunities where -- you 19 know, a bank or something, that they would get a -- 20 they would have -- they would actually have a good 21 return from all of that and they weren't working all 22 the time on it.</p> <p>23 And so we never could figure out how to do 24 those sorts of things in our community here, and so 25 Robert said that there's these investment opportunities</p>	<p style="text-align: center;">109</p> <p>1 that when we came to the Big Table, that she would make 2 those kind of opportunities available for us, she would 3 recommend what, you know, would be good for us, and 4 that we would have opportunity to make our money work.</p> <p>5 Q Is there anything in this agreement that 6 suggests that to you, sir?</p> <p>7 A What -- what -- where we understood that was, 8 you know, from Robert.</p> <p>9 Q Robert Owings?</p> <p>10 A I don't know Robert's last name. I think 11 that's what it is.</p> <p>12 Q Who does he work for, do you know?</p> <p>13 A So he was Loral's person, you know, when -- 14 when Elisabeth called, so I -- I was not involved in 15 that conversation. And so I don't have -- I don't have 16 a direct understanding of that, but that's what -- you 17 know, what we understood.</p> <p>18 Q And you contend that the money that you paid 19 to attend this conference is the compensation that you 20 paid her for her recommendations, is that correct?</p> <p>21 MR. BRADLEY: Objection. Calls for a legal 22 conclusion.</p> <p>23 A (Continuing) So what we understood was 24 that -- this is what we understood, that we would come 25 and that she would help us, you know, she would have</p>

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<p>110</p> <p>1 these opportunities avail -- she would have investment 2 opportunities available for us that she would 3 recommend, that she would teach us about how you -- you 4 could -- could make money so I could do the things I 5 wanted to do.</p> <p>6 So when -- when we came -- when we came to 7 this, really, Elisabeth did, you know, a lot of the 8 initial foot work and everything. And so as we -- as 9 we came, I -- I mean, I read the book, you know, on the 10 plane coming, so I just had a very rudimentary 11 understanding of what she was going to supply, but we 12 understood that Loral would have investment 13 opportunities that she would recommend to us.</p> <p>14 Q I see. And the check that you wrote to pay 15 to come to the conference, that was to Choice 16 Performance, is that right, or how did you pay for it?</p> <p>17 A You know, I would -- I really -- I just don't 18 remember if we wrote a check or we did a credit card or 19 whatever. I don't -- I don't recall.</p> <p>20 Q Did you or your wife ever pay Loral 21 Langemeier anything?</p> <p>22 A So --</p> <p>23 MR. BRADLEY: Objection. Calls for a legal 24 conclusion.</p> <p>25 MR. LITTLE: What's -- in what regard, Jim?</p>	<p>112</p> <p>1 I don't make a distinction between -- you know, Loral 2 Langemeier is -- is the -- she was the person. So 3 it -- we felt we were paying Loral Langemeier.</p> <p>4 Q I understand. Turn to Exhibit 3, if you 5 would. Have you seen Exhibit 3 before?</p> <p>6 A Yes.</p> <p>7 Q Did you provide information to complete this 8 document?</p> <p>9 A I would think I did because it has our 10 address and our phone number and our cell numbers. And 11 I -- I actually have a -- I think maybe some of it is 12 missing or there's -- like I have a blank page here.</p> <p>13 MR. BRADLEY: And -- and, Mitch, so far 14 you've not made any of these exhibits to the 15 deposition. Do you intend to do that?</p> <p>16 MR. LITTLE: This is -- this is already an 17 exhibit to Mrs. Lenes's deposition.</p> <p>18 MR. BRADLEY: Okay. Is it -- is it marked --</p> <p>19 MR. LITTLE: I have not marked his yet. I'm 20 going to mark them at a break, okay.</p> <p>21 MR. BRADLEY: All right. Just so we're 22 clear, I mean, I'm not agreeing that this whole 23 book is an exhibit to the deposition. If you 24 want --</p> <p>25 MR. LITTLE: No, Jim.</p>
<p>111</p> <p>1 MR. BRADLEY: You're -- you're -- you're -- 2 you're trying to set up a -- you know, a 3 contractual issue, first of all, which is -- you 4 know, the judge -- you lost your motion, I don't 5 know if you're aware, that came out yesterday, but 6 -- but the fact of the matter is you're trying to 7 draw legal distinctions.</p> <p>8 You know, you want me to get in a -- a 9 debate, I made my objection and I'm happy to 10 explain. Just because the -- the check goes to 11 Choice Performance doesn't mean that that wasn't 12 ultimately compensation that Langemeier received.</p> <p>13 The other issue with the question, since you 14 ask, is that, you know, the compensation you 15 receive as an investment advisor doesn't have to 16 come directly from the client. It's compensation 17 related to it. So, you know, that's a source of 18 my objection, but go ahead, you can answer --</p> <p>19 BY MR. LITTLE: 20 Q Dr. Lenes -- 21 MR. BRADLEY: -- if you know.</p> <p>22 BY MR. LITTLE: 23 Q -- did you ever pay me -- did you ever pay 24 anything to Loral Langemeier?</p> <p>25 A So when we -- when we made the payment, I --</p>	<p>113</p> <p>1 A (Continuing) So are you asking me -- 2 Q I'm going to ask you to take a look at Tab 3, 3 if you would.</p> <p>4 A Tab 3, okay.</p> <p>5 Q So have you seen the contents of this 6 document before?</p> <p>7 A Yes.</p> <p>8 Q Did you provide information that went into 9 the preparation of this document, to the best of your 10 knowledge?</p> <p>11 A We -- I think we filled this out in the 12 process of the tables. So I think -- I think we had 13 help with this as we -- you know, filling it out when 14 we were at the first table.</p> <p>15 Q Who helped you?</p> <p>16 A So I think this is -- so this is a GAAP 17 analysis and we had help, I know Loral helped us with 18 some of it and I -- I think -- I'm trying to remember 19 if we had a meeting with somebody else. I don't think 20 we did. I think it was us and I think Loral helped us, 21 like some of the things where -- when she would talk 22 about what our goals were --</p> <p>23 Q Yes.</p> <p>24 A -- she would help us figure those things out.</p> <p>25 Q Did anyone else help you?</p>

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<p style="text-align: center;">114</p> <p>1 A It's -- I don't know if we had help, if 2 somebody typed it up. I don't really recall if 3 somebody typed it for us or anything like that. 4 Q That's okay. Have you seen Exhibit 4 before? 5 A Yes. 6 Q Is that your handwriting on the first page? 7 A It is. 8 Q What is that phone number? 9 A That's our home phone number. 10 Q I see. Why did you write that on the front 11 page? 12 A Because that's what I do. 13 Q Just to make sure? 14 A I don't know why I do it. I -- it's -- I 15 don't know. It's just a funny habit. 16 Q Turn to the third page, if you would. It 17 says, "Congratulations, you are here." Do you see 18 that? 19 A "You are here," yes. 20 Q There's -- it says, "Your table private 21 password is turbo." Do you see that? 22 A Yes. 23 Q Is that your handwriting? 24 A It -- I don't think it is. 25 Q Okay. How did you come by these documents?</p>	<p style="text-align: center;">116</p> <p>1 don't have a recollection of -- of reading this page. 2 Q Do you understand that one of your 3 allegations in this lawsuit is that Loral Langemeier 4 didn't tell you and your wife that she was not 5 registered to do securities business? 6 A Tell me again. 7 Q Do you understand that one of your 8 allegations in this lawsuit is that Loral Langemeier 9 did not tell you that she was not registered to do 10 securities business? 11 A I understand that. 12 Q The first -- the top sentence here says, 13 "Below is a disclaimer to notify you that Live Out 14 Loud, Loral's Big Table and Wealth Diva are not 15 endorsing any investments and we are not a licensed 16 security firm." Do you see that? 17 A Yes. 18 Q Did you read that? You don't remember? 19 MR. BRADLEY: Objection. Asked and answered. 20 A (Continuing) So I -- again, I just -- 21 Q You just don't remember? 22 A -- don't recall. I just don't remember. 23 Q Yeah. 24 A Yeah. 25 Q But you did get the documents because you</p>
<p style="text-align: center;">115</p> <p>1 A So these probably would have been what was 2 handed to us when we arrived for the conference. 3 Q Did you read it? 4 A Do -- 5 Q Exhibit 4? 6 A So there was -- I don't -- I don't have a -- 7 I read a lot of it. There's -- we started out -- so 8 there is a lot of information about calls and 9 mastermind calls and all those sorts of things. So as 10 we went through, we had a lot of things to fill out. 11 So -- and then we started -- she really started 12 lecturing right away, so it was just a busy time. I 13 don't -- 14 Q Do you recall having read it, Exhibit 4? 15 A I recall having read -- I recall having read 16 a lot of it. 17 Q Turn to the fourth page of Exhibit 4, if you 18 would. It's right there. 19 A Okay. 20 Q Do you see the -- the bold header there that 21 you says, "Notice of disclaimer regarding investment 22 opportunities"?</p> <p>23 A Yes. 24 Q Did you read this page? 25 A The -- you know, I -- I don't have a -- I</p>	<p style="text-align: center;">117</p> <p>1 produced them in this lawsuit? 2 A Correct. 3 Q So you didn't read paragraph -- you don't 4 recall having read the paragraph below it either, is 5 that fair? 6 A That's fair. 7 Q Okay. I'm going to ask you to turn to 8 Exhibit 12, if you would, in that book in front of you. 9 A Here's -- here's one thing, though, about 10 that, is that, you know, if it's something that 11 important -- 12 Q Do you remember something about it now? 13 A -- then I would have -- I would have thought 14 that it should have been talked about in the course of 15 the -- in the course of the seminars. 16 MR. LITTLE: Object, nonresponsive. BY MR. LITTLE: 18 Q Let's take a look at Exhibit 12. 19 MR. BRADLEY: Okay, and I'm -- I'm going to 20 also object to your interjecting your sidebar 21 comments on there and I'm going to ask that that 22 be stricken. BY MR. LITTLE: 23 Q Let's take a look at Exhibit 12, please. 24 A All right.</p>

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<p style="text-align: center;">118</p> <p>1 Q Does your signature appear on Exhibit 12?</p> <p>2 A Yes.</p> <p>3 Q This is a declaration of nonsolicitation for</p> <p>4 Z Harvard Square LLC. Do you recall having seen this</p> <p>5 document before?</p> <p>6 A Yes.</p> <p>7 Q Do you understand that this was a declaration</p> <p>8 by you and your wife?</p> <p>9 A Here's what I understand about this, is that</p> <p>10 when we were at the table, Loral made a number of</p> <p>11 recommendations and presented different investments and</p> <p>12 that when she -- when she made -- she made comment when</p> <p>13 she presented these, you know, we -- we didn't -- we</p> <p>14 didn't talk about what -- what all this was. Sorry, I</p> <p>15 lost track of the -- do you want to ask the question</p> <p>16 again?</p> <p>17 Q Sure. Do you understand that this is a</p> <p>18 declaration by you and your wife?</p> <p>19 A So a declaration meaning that we signed it,</p> <p>20 is that correct?</p> <p>21 Q It says, Declaration of Non-Solicitation," it</p> <p>22 has a series of paragraphs, and it says, "I, the</p> <p>23 undersigned person, do hereby declare." Do you see</p> <p>24 that?</p> <p>25 A Uh-huh (affirmative).</p>	<p style="text-align: center;">120</p> <p>1 A What I understand is -- is that at the time</p> <p>2 that Loral recommended investments, we signed the paper</p> <p>3 and then she gave us the information on the</p> <p>4 investments.</p> <p>5 Q I'll try to unpack my question a little bit</p> <p>6 for you, Dr. Lenes. There are four paragraphs</p> <p>7 beginning with the word, "I," "I," "I," and "If," do</p> <p>8 you see those above your signature?</p> <p>9 A Uh-huh (affirmative).</p> <p>10 Q Were those paragraphs true at the time that</p> <p>11 you signed this document?</p> <p>12 MR. BRADLEY: You can read each one and</p> <p>13 comment on them.</p> <p>14 A (Continuing) Okay. So I understood that I</p> <p>15 was an accredited investor. And -- and so the -- you</p> <p>16 know, the information was for my personal use. And I</p> <p>17 -- I looked at -- Loral gave us, you know, a number of</p> <p>18 different recommendations, you know, that we could</p> <p>19 choose from. And so I understood that that's a -- you</p> <p>20 know, that I was choosing from those recommendations.</p> <p>21 And -- and so that's -- that's what I understood from</p> <p>22 that.</p> <p>23 Q Dr. Lenes --</p> <p>24 MR. LITTLE: First of all, objection,</p> <p>25 nonresponsive.</p>
<p style="text-align: center;">119</p> <p>1 Q Was this document true when you signed it?</p> <p>2 A So what I understood at the time was that</p> <p>3 we -- that Loral had investment opportunities for us</p> <p>4 when we went to the Big Table and that some of these</p> <p>5 things, you know, were just, you know, things that</p> <p>6 had -- you know, you did to sort of satisfy lawyers and</p> <p>7 that you signed those and that's how you got the</p> <p>8 information for the -- to -- to invest in the</p> <p>9 investments.</p> <p>10 Q This was something that you did to satisfy</p> <p>11 lawyers, is that what I understand?</p> <p>12 A This is something that we did so that Loral</p> <p>13 would give us, you know, then the rest of the</p> <p>14 information on the -- on the investments.</p> <p>15 Q Did Loral send you this document?</p> <p>16 A She -- you know, I -- I don't really know who</p> <p>17 sent this document to us.</p> <p>18 Q Right. Was it -- and my original question,</p> <p>19 Dr. Lenes, was, was this document true when you signed</p> <p>20 it, was it true?</p> <p>21 A So -- so what -- I'm not exactly sure what</p> <p>22 you're asking. What I'm --</p> <p>23 Q There are a bunch of statements --</p> <p>24 A -- what I understand --</p> <p>25 Q Okay, go ahead.</p>	<p style="text-align: center;">121</p> <p>1 BY MR. LITTLE:</p> <p>2 Q Let me ask a different question and see if</p> <p>3 you can answer this one. Is there anything false in</p> <p>4 your declaration that we find in Exhibit 12?</p> <p>5 A As I -- as I understood this, I understood</p> <p>6 that Loral was giving us choices. That's really what I</p> <p>7 understood.</p> <p>8 Q I don't understand your response, Dr. Lenes,</p> <p>9 and -- and perhaps you could explain it further. My</p> <p>10 question was, is there anything false in Exhibit 12, in</p> <p>11 your declaration? Did you sign your name to anything</p> <p>12 that's not true?</p> <p>13 A Well, what's -- what's hard, you know, for me</p> <p>14 to sort out is that I -- when I -- when -- when these</p> <p>15 were presented to us, it was -- it just really, I</p> <p>16 guess -- maybe I don't completely understand what</p> <p>17 you're asking me, but, so she --</p> <p>18 Q All right. Here we go. Let's start --</p> <p>19 MR. BRADLEY: Let him -- he's in the middle</p> <p>20 of answering.</p> <p>21 MR. LITTLE: Object, nonresponsive.</p> <p>22 BY MR. LITTLE:</p> <p>23 Q Dr. Lenes --</p> <p>24 MR. BRADLEY: He is in the middle of saying</p> <p>25 something.</p>

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<p>122</p> <p>1 A (Continuing) She -- she gave us -- she gave 2 us a number of choices, and so I figured that if she's 3 giving us a number of choices, it's not like she's 4 saying do -- you know, you must do A and B and C. I 5 mean, you can do A, you can do B, I mean, you -- it's 6 a -- so -- 7 Q What does that have to do with my question, 8 Dr. Lenes? 9 A Well, it has to do with the question in that, 10 you know, we asked for the information and so she -- 11 she gave us choices. I mean, I think of -- I just 12 think of, you know, solicitation or promotion in a 13 different way. I mean, I look at it as she gave us -- 14 she gave us a number of choices, and so we could choose 15 from any of those. 16 Q Dr. Lenes, let's go sentence by sentence. 17 Were you an accredited investor according to the U.S. 18 Securities Act of 1933? 19 A We -- 20 MR. BRADLEY: Objection -- Objection. Asks 21 for a legal conclusion. 22 A (Continuing) And so we felt the -- that -- 23 you know, we understood that we -- that we were. 24 Q And that's why you signed this, right? 25 That's one of the reasons you signed this, because that</p>	<p>124</p> <p>1 this data for my own personal use." Is that true? 2 A So we didn't look -- try and get any 3 information for anybody else, it was for us. 4 Q The next sentence reads, "I was referred to 5 you by a private party." Is that true? 6 A So -- I don't really understand that. I'm -- 7 I'm not sure what a private party is, but Loral -- you 8 know, Robert said, you know, "Come to the Big Table," 9 and we came to the Big Table and that's -- these were 10 presented at the Big Table. 11 Q The next paragraph reads, "I realize that the 12 requested information is for private use and is not 13 available to the public and that the purpose of this 14 information is not to solicit me to invest in 15 anything." Was that true? 16 A So -- 17 Q Did you understand that? 18 A -- we -- you know, we knew it was for private 19 use. She said, you know, these are for -- for the 20 community and that these opportunities were only 21 available to invest if we were involved in a -- in a 22 Big Table community. And so, you know, we weren't 23 supposed to go talk about it everywhere. And so it was 24 private, it was private information. 25 Q Anything false in that paragraph that you --</p>
<p>123</p> <p>1 first sentence is true, right? 2 A That's -- 3 MR. BRADLEY: Objection. Mischaracterizes 4 prior testimony. 5 BY MR. LITTLE: 6 Q You requested information pertaining to a 7 capital investment in Z Harvard Square, LLC, didn't 8 you? 9 A We felt that in order to -- to invest in it, 10 you know, you -- that's -- those are the steps that you 11 take. So she -- she presented the investments, she 12 recommended that we do a certain amount in each area, 13 and so she said, "You fill out this paper and we give 14 you the information on it." 15 MR. LITTLE: Object, nonresponsive. 16 BY MR. LITTLE: 17 Q Did you request information pertaining to a 18 capital investment in Z Harvard Square, yes or no? 19 MR. BRADLEY: He can explain his answer. 20 A (Continuing) So when -- when these 21 investments were presented to us, then you filled out 22 the paper to get the information. 23 Q The next sentence reads, "I have not 24 requested this information as a result of any public 25 solicitation, offering, or promotion and have requested</p>	<p>125</p> <p>1 that you're aware of? 2 MR. BRADLEY: And I'm going to object to the 3 extent it calls for a legal conclusion. 4 A (Continuing) And so, I mean, we -- we 5 were -- it was for our private use. 6 MR. LITTLE: Object, nonresponsive. 7 BY MR. LITTLE: 8 Q Is there anything false in that paragraph 9 that you're aware of, sir? 10 A So -- 11 MR. BRADLEY: Object to the extent it calls 12 for a legal conclusion. 13 A (Continuing) And so we -- it was for our 14 private use, you know, it's not -- I mean, it's not 15 available to the public. 16 Q All right. Next paragraph reads, "If I 17 choose to participate in any capital investment 18 opportunities or private placement opportunities 19 referred to in the requested information" provide to 20 me -- "provided to me, it will be of my own free will 21 and accord and not through solicitation or coercion by 22 any agents, affiliates, or non-affiliated entities 23 related to you directly or indirectly." Was that true 24 when you signed that? 25 A When -- when we were at the table, we -- we</p>

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<p>126</p> <p>1 knew that we needed to come to the table to be able to 2 be involved in -- and -- in the investments that Loral 3 had available. And so we chose to come to the Big 4 Table and Loral presented these, recommended what we 5 should -- you know, what would fit into our general 6 portfolio, and that she said that there was a very good 7 return, we'd be able to, you know, do the things that 8 we felt we were called to do.</p> <p>9 Q Did you ever discuss Exhibit 12 with Loral 10 Langemeier?</p> <p>11 A This, we -- I don't believe we did.</p> <p>12 Q Did you ever show it to her?</p> <p>13 A She -- she's -- I -- really, I don't recall 14 so much where it came from. I mean, I assumed it came 15 from her and she was involved in it.</p> <p>16 Q You assumed?</p> <p>17 A And when -- when she is in -- at the table, 18 you know, she is the one who -- she said we needed to 19 follow her lead.</p> <p>20 Q Where did you get Exhibit 12?</p> <p>21 MR. BRADLEY: Objection. Asked and answered.</p> <p>22 A (Continuing) So the -- it was part of the 23 paperwork that we filled out through Loral Langemeier 24 to be involved in the investment.</p> <p>25 Q Loral Langemeier sent you Exhibit 12?</p>	<p>128</p> <p>1 suitability criteria established by the company for 2 investing in the shares of the company." Do you see 3 that?</p> <p>4 A Yes.</p> <p>5 Q And you answered all of those questions, 6 right?</p> <p>7 A Yes.</p> <p>8 Q And there's Section F that says, "Consistent 9 investment strategy, is this investment consistent with 10 your overall investment strategy?" And you marked -- 11 or actually, either you or your wife marked "Yes," 12 correct?</p> <p>13 A So what -- what we understood was -- is that 14 Loral was helping us navigate, you know, all these 15 investments and that she -- she would make 16 recommendations to us that was consistent with what 17 would be the right thing for us.</p> <p>18 And she had gotten that information at the 19 first table, I mean, she knew what our goals were. I 20 mean, we had actually told her all of our financial 21 assets, and actually, in front of 50 people, we -- we 22 revealed all of that information. And she -- she knew 23 what we wanted to do, we talked about all those, she 24 helped us set goals and figure out where we wanted to 25 be. And so she was directing our, you know, investment</p>
<p>127</p> <p>1 A So -- so somebody in her organization got us 2 that information. So I -- you know, I don't know who 3 stuffs her envelopes, you know. It's a -- I don't know 4 who does that --</p> <p>5 Q Where did you get --</p> <p>6 A -- or if she does it herself.</p> <p>7 Q -- Exhibit 13?</p> <p>8 A So this would have been some of the 9 information, I think, that we would fill out to -- as 10 part of getting the paperwork for -- for investing in 11 the -- in the investment.</p> <p>12 Q In Z Restaurant -- Z Harvard Square?</p> <p>13 A Z Harvard Square, right.</p> <p>14 Q David Zebny sent you this document, didn't 15 he?</p> <p>16 MR. BRADLEY: Objection, asked and answered.</p> <p>17 A (Continuing) So, you know, I don't remember 18 who mailed it to me. I mean, I -- I don't know about 19 that.</p> <p>20 Q The document, the first paragraph reads, "The 21 purpose of this questionnaire is to solicit certain 22 information regarding your financial status to 23 determine whether you are an accredited investor as 24 defined under applicable U.S. Securities Act of 1933 25 and States securities laws and otherwise meet the</p>	<p>129</p> <p>1 strategy.</p> <p>2 Q Did you send this document to Loral 3 Langemeier?</p> <p>4 A So she recommended -- and, again, I don't 5 know who -- who -- that was, I don't know how many 6 years ago, I don't recall who we mailed it back to.</p> <p>7 Q Did you ever discuss Exhibit 13 with Loral 8 Langemeier?</p> <p>9 A Is this Exhibit 13?</p> <p>10 Q Yes.</p> <p>11 A So, what -- what we did do was, I mean, the 12 people that are involved with her, you know, that help 13 her make all the -- you know, run her organization and 14 everything, those -- you know, those are the people 15 that we send this to. I mean, I don't -- you know, you 16 don't necessarily talk to the president of the United 17 States if you need to get the bathroom cleaned at, you 18 know, where you work. I mean, that's just -- there are 19 certain things that are kind of administrative tasks, 20 and so you take care of those by, you know, the 21 administrative people that are assigned to those tasks.</p> <p>22 Q Did you send Exhibit 13 to anyone at Live Out 23 Loud or anyone associated with Loral Langemeier?</p> <p>24 A So we did send -- I mean, whoever -- whoever 25 we sent it to is associated with Loral Langemeier.</p>

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<p style="text-align: center;">130</p> <p>1 Q David Zebny is associated with Loral 2 Langemeier?</p> <p>3 A So -- so David has been evaluated by Loral. 4 I mean, she's part of the rec -- he's part of the 5 recommendations, the recommendations that she made. 6 And so there's -- you know, there's some kind of a 7 relationship between them.</p> <p>8 Q But you don't recall having discussed Exhibit 9 13 with Loral Langemeier, do you?</p> <p>10 A So this -- you know, this is a piece of paper 11 that we needed to sign and fill out, and we felt that 12 Loral knew our investment strategy and made 13 recommendations. So did we discuss this piece of paper 14 with Loral, we didn't, but what we did discuss was what 15 our hopes and goals and aspirations were, what our 16 financial resources were, what we hoped to accomplish. 17 Those are the things that we discussed with her. And 18 so it seems to me that that's the person who helps you 19 do your overall financial strategy.</p> <p>20 Q Did you discuss Exhibit 20 with Loral 21 Langemeier, sir?</p> <p>22 A So Exhibit 20 was the private placement 23 memorandum, and when -- when Loral presented this -- 24 this company, she used -- she used the -- she 25 referenced the Z Restaurant Group as one of her really</p>	<p style="text-align: center;">132</p> <p>1 A Seven through 10, like the bottom number? 2 Q Yes.</p> <p>3 MR. BRADLEY: Go ahead and read it. 4 MR. LITTLE: I haven't asked him a question 5 yet.</p> <p>6 BY MR. LITTLE: 7 Q Dr. Lenes, did you review these four pages of 8 risk factors before you put your money into Z Harvard 9 Square?</p> <p>10 A The -- so here's -- here's what I remember. 11 When we talked about the Z Restaurant Group, Loral said 12 that this was a -- a company that was -- that already 13 had a track record, that it had a successful operation 14 in California, that it was operated by an M.B.A. from 15 Harvard, that one of the consultants was a man who had 16 helped Mrs. Fields take her cookies nationwide, and 17 that all of -- that this was a company that was going 18 to return a good return and -- and that it was a -- you 19 know, going to be a great -- a great investment.</p> <p>20 Q Sir -- 21 MR. LITTLE: Objection, nonresponsive.</p> <p>22 BY MR. LITTLE: 23 Q -- my question was so different. My question 24 was, did you read pages 7 through 10?</p> <p>25 A So --</p>
<p style="text-align: center;">131</p> <p>1 good companies. And so she talked about ultimately 2 they had like 150 employees, David Zebny was -- had a 3 master's in business from Harvard. She talked about 4 how it was a -- you know, what the returns would be, 5 those sorts of things.</p> <p>6 And so they -- she talked about, you know, 7 they send you a private placement memorandum. And so 8 she sent it, I mean, she told us all about the company, 9 so --</p> <p>10 Q Did she send you the private placement 11 memorandum?</p> <p>12 A So, again, I don't recall exactly who sent 13 it. She -- let me just clarify that she -- however, 14 the -- you know, she talked about private placement 15 memorandums, you know, that that's how you -- how you 16 learned about investing in companies.</p> <p>17 Q What did she teach you about private 18 placement memorandums, sir?</p> <p>19 A So that -- that was a while ago and I don't 20 have a real -- I don't have a good recollection of 21 what -- what she specifically taught and what other 22 people said at the seminars on how that exactly works.</p> <p>23 Q I'm going to ask you to take a look at the 24 four pages of risk factors contained in this 25 memorandum, Exhibit 20. They're pages 7 through 10.</p>	<p style="text-align: center;">133</p> <p>1 Q Did you read it?</p> <p>2 A So when I -- I usually read through the PPMs, 3 and so I'm -- I'm anticipating that I read it, but what 4 I do know is that the concerns, any of the concerns 5 that were mentioned here, what we really talked about 6 with Loral was that those things, you know, were 7 already taken care of, that she had an investment that 8 had -- that already had a track operating record, you 9 know, that it -- the restaurant in California had done 10 well, that they knew how to do the business, that they 11 had a good team in place, and that they would -- that 12 there would be an excellent return in this restaurant.</p> <p>13 And it was really -- she -- she recommended 14 us -- to us so well that we -- we had our children 15 invest money in it. So our daughter invested her 16 money, and then the other three, actually, you know, 17 took some money that they had earned and some money out 18 of one of their insurance policies and invested it in 19 it, as well.</p> <p>20 Q Did you show your kids the PPM and tell them 21 how risky this was?</p> <p>22 A They -- so when -- when we made this 23 investment, Loral -- you know the answer. Loral 24 presented it --</p> <p>25 Q Just tell me the answer. Of course, you</p>

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<p>134</p> <p>1 didn't, of course, you didn't show --</p> <p>2 MR. BRADLEY: Objection. Let him finish.</p> <p>3 A (Continuing) Loral addressed all these</p> <p>4 things when she made the presentation. She talked</p> <p>5 about how it's -- it's -- she didn't talk about risk.</p> <p>6 She talked there's a team in place, there's people who</p> <p>7 know what they're doing, it's a -- it's a proven</p> <p>8 investment, it's -- there's already a restaurant that's</p> <p>9 operating. She talked about how -- you know, what the</p> <p>10 income per seat was in the California restaurant, you</p> <p>11 know, however that works.</p> <p>12 And there's -- all that information is what</p> <p>13 she presented when she presented the -- the information</p> <p>14 on Z Square Harvard (sic).</p> <p>15 Q You got the PPM after Loral Langemeier talked</p> <p>16 to you, correct?</p> <p>17 A At the -- at the table, and then you sign up</p> <p>18 to get the information and then they send it to you.</p> <p>19 Q Right. Timeline, you talk -- you go to the</p> <p>20 seminar, you listen to Loral Langemeier, you sign up</p> <p>21 for some information, they send it to you, correct?</p> <p>22 A That's correct.</p> <p>23 Q And you got this and because of what Loral</p> <p>24 Langemeier said, you ignored the risk factor section,</p> <p>25 right?</p>	<p>136</p> <p>1 Q And this has to do with disclosing the risks</p> <p>2 related to the debt that the company, Z Harvard Square,</p> <p>3 took on, yes?</p> <p>4 A Uh-huh (affirmative), uh-huh (affirmative).</p> <p>5 Q And the last two sentences read, "A breach of</p> <p>6 the terms of the loan documents will constitute a</p> <p>7 default. Any uncured default will allow the lender to</p> <p>8 exercise its rights against the company and may result"</p> <p>9 in your loss of -- "in a loss of your investment in the</p> <p>10 company." Do you see that?</p> <p>11 A Uh-huh (affirmative).</p> <p>12 Q That's exactly what happened, isn't it?</p> <p>13 A You know, I don't know exactly what happened</p> <p>14 with the company. And so it was -- it was a very nice</p> <p>15 restaurant. It had delicious food. It was in a very</p> <p>16 good location. Loral was keeping an eye on it. She</p> <p>17 had told us all the things I've already mentioned, you</p> <p>18 know, that there was an M.B.A. managing it, model that</p> <p>19 was proven in California. David Zebny is from Boston,</p> <p>20 I mean, he knew the market, he went to Harvard. And --</p> <p>21 and so it -- so I don't know why it failed. In my</p> <p>22 mind, it shouldn't have failed.</p> <p>23 Q I see. If you'll look at the subscription</p> <p>24 agreement toward the back of the PPM, there's a blank</p> <p>25 one.</p>
<p>135</p> <p>1 A That's not exactly right. So when -- when</p> <p>2 she gave the information she answered this. So she --</p> <p>3 she knew -- she knew what our -- what our strategies</p> <p>4 were, I mean, she -- not our strategies. She knew what</p> <p>5 our goals were, she knew what we had, she knew that we</p> <p>6 were looking for something different. She presented</p> <p>7 this, she presented it, you know, as a -- as a good</p> <p>8 investment. And -- and so she answered the questions</p> <p>9 about risk.</p> <p>10 Q Did she tell you things that contradicted the</p> <p>11 PPM in Exhibit 20?</p> <p>12 A She told us that this was -- you know, that</p> <p>13 there was a good model, you know, that the restaurant</p> <p>14 in California had -- had been making money and did very</p> <p>15 well. She had eaten at it multiple times and that she</p> <p>16 had invested in that restaurant and, you know, and was</p> <p>17 so impressed with David, asked him to be, you know,</p> <p>18 part of the -- the offerings. And so she told us</p> <p>19 information that I felt answered, you know, these kind</p> <p>20 of questions.</p> <p>21 Q Take a look at page 9 of the PPM, if you</p> <p>22 would. There's Risk Factor No. 7, "capital and</p> <p>23 third-party loan financing requirements," do you see</p> <p>24 that?</p> <p>25 A Yes, sir.</p>	<p>137</p> <p>1 MR. BRADLEY: Have you got a page?</p> <p>2 MR. LITTLE: Yeah.</p> <p>3 BY MR. LITTLE:</p> <p>4 Q If you'll look at the bottom right corner,</p> <p>5 it's Lenes Comp Files 000701.</p> <p>6 A Seven zero -- this one (indicating)?</p> <p>7 Q Yes. You ultimately signed the subscription</p> <p>8 agreement, didn't you? We see your -- we actually see</p> <p>9 your signature page in Exhibit 21, I believe.</p> <p>10 A Okay. All right.</p> <p>11 Q You signed it, didn't you?</p> <p>12 A That's my signature.</p> <p>13 Q Right. Look at -- if you'd turn -- turn to</p> <p>14 page Lenes Comp Files 000702, there are some</p> <p>15 representations and warranties by you in there.</p> <p>16 A Okay.</p> <p>17 Q If you'll look at Section 2.1, it says, "By</p> <p>18 subscriber, the undersigned hereby represents and</p> <p>19 warrants to and agrees with the company as follows,"</p> <p>20 and you'll look at 2.1B, "Disclosures," do you see</p> <p>21 that?</p> <p>22 A Disclosures, okay. Do you want me to read</p> <p>23 that?</p> <p>24 Q I want you to read it real quick, yeah.</p> <p>25 A All right.</p>

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<p style="text-align: center;">138</p> <p>1 Q Do you understand that you warranted to Z 2 Harvard Square that no oral or written representations 3 had been made or oral or written information furnished 4 to you or your advisors, if any, in connection with the 5 offering of the units which were in any way 6 inconsistent with the private placement memorandum, do 7 you understand that you represented and warranted that?</p> <p>8 A So what I understood was that -- that they 9 were -- what was represented to me by Loral Langemeier 10 was that those concerns had -- you know, she had 11 answered, and so, you know, that there wasn't -- there 12 wasn't really a cause for concern.</p> <p>13 Q Do you understand that you warranted to Z 14 Harvard Square, LLC by your signature in the 15 subscription agreement that no one told you anything 16 inconsistent with the memorandum?</p> <p>17 MR. BRADLEY: Objection. Calls for a legal 18 conclusion.</p> <p>19 A (Continuing) And so what I understood was 20 that the things that Loral told us were not 21 inconsistent with the memorandum.</p> <p>22 Q Okay.</p> <p>23 A You know, she -- she related that there was 24 a -- a model that worked, there was good experts to 25 make sure the business was successful, that it was a</p>	<p style="text-align: center;">140</p> <p>1 that this was going to be a successful venture with a 2 good return.</p> <p>3 Q That's what you understood at the time that 4 you made that representation, correct?</p> <p>5 A That's what I understood.</p> <p>6 Q And you signed that document and we find your 7 signature page in Exhibit 21, right?</p> <p>8 A The -- so what I understood was that she -- 9 she made -- she was looking out for our best interest, 10 and so I felt that she had answered all those concerns 11 and that those were correct.</p> <p>12 Q And if you'll turn to Exhibit 22, please.</p> <p>13 A (Witness complied with request of counsel.)</p> <p>14 Q This is a -- a fax letter from you, correct?</p> <p>15 A Uh-huh (affirmative).</p> <p>16 Q And your daughter Felicity is a nonaccredited 17 investor and you invested \$5,000 on her behalf, 18 correct?</p> <p>19 A Correct.</p> <p>20 Q Turn to the page marked Lenes Hard Copy 21 000370, if you would.</p> <p>22 A Three seven zero?</p> <p>23 Q Yes.</p> <p>24 A Is that in that section?</p> <p>25 Q Yes.</p>
<p style="text-align: center;">139</p> <p>1 good location, that it had a good menu, they had -- 2 they had good recipes, they had a proven model.</p> <p>3 Q All important things?</p> <p>4 A Yeah, all the important things, you know, 5 that -- that go into making a successful restaurant.</p> <p>6 Q Do you see that you represented -- I'm sorry. 7 Excuse me.</p> <p>8 A And she -- you know, she didn't -- she talked 9 about the returns and just what a great investment it 10 was.</p> <p>11 Q Do you see that you represented in Section 12 2.1D that you recognize that the company has only 13 recently been organized, it has no financial or 14 operating history, and that investment in the company 15 involves substantial risks and that you've taken full 16 cognizance of and understand all the risk factors 17 related to the purchase of the units?</p> <p>18 A So what I understand from that is -- is that, 19 you know, Loral made recommendations to us based on 20 understanding what our concerns were, what our goals 21 were, that our -- what our assets were, and, you know, 22 what we understood, that she was teaching us, you know, 23 those things, that she -- you know, we trusted her that 24 what she said was correct and that she was -- had our 25 best interests at heart and that -- that, you know --</p>	<p style="text-align: center;">141</p> <p>1 A Yes.</p> <p>2 Q Do you see the -- the bold, all caps 3 paragraph at the bottom beginning, "This offering 4 involves a high degree of risk"?</p> <p>5 A I see it.</p> <p>6 Q Did you understand that to be true at the 7 time that you helped your daughter invest in this?</p> <p>8 A What we understood at the time was that we 9 felt that Loral would make recommendations to us that 10 were appropriate for us and that this -- this 11 investment was a good investment, it would have a good 12 return and that we -- we would have -- our daughter 13 would have an opportunity to -- when she went to school 14 to have a check come to her to help support her while 15 she's in college, while she's in graduate school, and 16 that this would be an excellent investment. And that's 17 really what we understood.</p> <p>18 And when she talked to us, when Loral told us 19 all this information, she went through and, you know, 20 we went through this, she explained why each investment 21 was a good investment. And she knew what we had and 22 she knew what we wanted to do and she -- you know, 23 we -- and we thought she had an -- an obligation to -- 24 you know, to look out for our best interests. And why 25 would somebody, if they were looking out for your best</p>

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<p style="text-align: center;">142</p> <p>1 interests, put you in an investment that was not a good 2 investment?</p> <p>3 Q Turn to Exhibit 26, please. Is this an email 4 that you wrote?</p> <p>5 A Yes.</p> <p>6 Q Did you ever tell this information to Loral 7 Langemeier?</p> <p>8 A Okay. I need to read it to see what's all in 9 it.</p> <p>10 Q Sure.</p> <p>11 A Okay. What are you asking now again?</p> <p>12 Q Did you ever tell this information to Loral 13 Langemeier?</p> <p>14 A So we would have talked about this to -- at 15 some level at the table. I -- I don't know what level. 16 And we also -- this -- so this was my group -- 17 mastermind group, you know, that I was responding to. 18 And so they -- you know, so this was to let them know 19 all the things that we were assigned to do, you know, 20 how we were coming with all of those.</p> <p>21 And -- and they -- Loral had wanted to know 22 how those were going, so whether -- you know, how much 23 of this information she knew, I don't know. We would 24 have talked about bits of it at various times when we 25 were in her presence. I don't have a recollection of</p>	<p style="text-align: center;">144</p> <p>1 BY MR. LITTLE: 2 Q Dr. Lenes, as we were leaving, we were -- 3 leaving for lunch, we were looking for -- looking at 4 Exhibit 32, and your -- your signature appears on 5 Exhibit 32, correct?</p> <p>6 A Yes, sir.</p> <p>7 Q To whom did you send Exhibit 32?</p> <p>8 A Again, I -- you know, I don't -- I don't 9 recall who we mailed these to.</p> <p>10 Q Is the information that you provided in 11 Exhibit 32 accurate?</p> <p>12 A So the -- so, again, I'd have the same 13 concern, is this investment consistent with your 14 overall investment strategy, and to -- so to the extent 15 that we understood that Loral made recommendations to 16 us on, you know, what would be good investments, then, 17 yes.</p> <p>18 Q You thought this was -- this investment in 19 Coastal Serenade was consistent with your overall 20 investment strategy?</p> <p>21 A So from what we understood, yes.</p> <p>22 Q Did you have knowledge and experience in 23 financial and business matters to enable you to 24 evaluate the merits and risks of the Coastal Serenade 25 investment?</p>
<p style="text-align: center;">143</p> <p>1 exactly how that would have occurred.</p> <p>2 Q Turn to Exhibit 32, please.</p> <p>3 A I would say, too, though that, I mean, really 4 this -- this is the things that -- sort of the work 5 list that we generated from our -- from our -- you 6 know, all the things that she advised us to do when we 7 were in a -- in table, so -- I mean, in a -- at our 8 first table.</p> <p>9 And so she -- you know, liquidating the -- 10 getting the -- for example, getting the GE stock where 11 we could get to it. My mother had died not that much 12 before that, and so trying to get -- you know, this -- 13 this was some documentation of we were doing the things 14 that she -- she told us to do.</p> <p>15 Q I understand.</p> <p>16 MR. LITTLE: We're out of tape, so why don't 17 we take a lunch break.</p> <p>18 VIDEOGRAPHER: Off the record at 12:27, Tape 19 No. 3.</p> <p>20 (Guys Burns, Esquire and Dr. Stuart Brown have 21 left the deposition.)</p> <p>22 (Lunch recess taken.)</p> <p>23 VIDEOGRAPHER: This is Tape No. 4 in the 24 deposition of Dr. Steven Lenes. We're on the 25 record at 1:32.</p>	<p style="text-align: center;">145</p> <p>1 A The -- are you reading something?</p> <p>2 Q Yes.</p> <p>3 A Where are you reading?</p> <p>4 Q If you'd like, you can look at Section F of 5 Exhibit 32.</p> <p>6 A That's, "Is this consistent with your 7 overall" -- is that what you're asking?</p> <p>8 Q No. What I asked was, did you consider 9 yourself to have such knowledge and experience in 10 financial and business matters to enable you to 11 evaluate the merits and risks of the Coastal Serenade 12 investment?</p> <p>13 A So what -- what we understood was that we had 14 gone to Loral, gone to the Big Table that we had 15 presented the information that -- on our -- our assets, 16 our -- the investments that we had prior to that, and 17 that she understood what our goals and aspirations 18 were, she understood that -- you know, all those things 19 related to advising as to investments, and that she had 20 prepared us to be able to do that and we trusted that 21 she would make -- help us make the right decision in 22 our best interests.</p> <p>23 MR. LITTLE: Object, nonresponsive.</p> <p>24 BY MR. LITTLE:</p> <p>25 Q With respect to this Coastal Serenade</p>

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<p>146</p> <p>1 investment, did you have enough knowledge and 2 experience to evaluate the risks and merits of it?</p> <p>3 A At the time --</p> <p>4 Q Yes.</p> <p>5 A -- we felt that -- so not a -- that's my -- 6 so at the time, we felt that Loral had taught us what 7 we needed to know, that she had recommended investments 8 that were consistent with our -- with what our overall 9 financial strategy was, that she had our best interests 10 at heart, and that we felt that we -- you know, we knew 11 what we should do and that she recommended it and it 12 was a good thing to do.</p> <p>13 Q Were you able to bear the economic risk of a 14 total loss of the Coastal Serenade investment?</p> <p>15 A The -- the thing that's difficult about that 16 is that, you know, if -- if it had been one investment 17 that had gone bad, then, you know, we would have been 18 very sad and we would have wondered, you know, why that 19 happened, but, you know, we -- we would have had -- I 20 think we would have been able to bear that risk.</p> <p>21 But when, you know, almost every single 22 investment went bad and we ended up going into 23 foreclosure on our rental homes and losing the property 24 that, you know, we had hoped to build, you know, a home 25 on and able to have people in and do things, you know,</p>	<p>148</p> <p>1 MR. LITTLE: Object, nonresponsive. 2 BY MR. LITTLE: 3 Q My question was different and I'll try to ask 4 it a different way, okay? Could you have afforded to 5 lose the money that you invested in the Coastal 6 Serenade investment?</p> <p>7 MR. BRADLEY: Objection, asked and answered. 8 A (Continuing) So -- so I thought what -- what 9 I -- what I said was that this -- this was one 10 investment. If you -- if you could -- you know, if we 11 were to lose one investment, it would be hurtful to us, 12 but it wouldn't have destroyed us.</p> <p>13 Q I see. 14 A And so -- but what really happened was not 15 just one investment. So it's -- it's hard to say. 16 This is a part of a whole context, a whole bigger 17 picture, that not only did we lose the investment in 18 Coastal Serenade, but we lost so many other 19 investments.</p> <p>20 Q I understand. I'm -- 21 A And so we -- we -- we -- we answered that 22 question. I mean, it's one little bit, when you take a 23 thing in isolation, you know, it's one -- one bit. 24 Q I understand. I'm just asking about this 25 one. I think you answered my question.</p>
<p>147</p> <p>1 share that with other people, when -- when all -- you 2 know, we didn't -- we never thought all that would 3 happen.</p> <p>4 And -- and so I think there's a difference 5 when you say can you -- you know, one -- one investment 6 that was \$50,000, can you bear the risk of losing that, 7 but when you -- when you make investments in everything 8 and every one of them is bad, then that's -- that's 9 really -- you know, we -- we -- we explained all of 10 this to Loral, we laid out what we had and the 11 resources.</p> <p>12 She didn't -- we didn't hold anything back 13 from her, you know. This was Live Out Loud, you know, 14 we were -- that's what you're supposed to do, you -- 15 you -- you reveal, you know, you share all your 16 information. And so we did that and she knew that and 17 there was everything. I mean, there was everything 18 that we told her.</p> <p>19 And so, then, when she makes recommendation 20 is, you know, wouldn't she take that into account? So 21 that's -- you know, that was my understanding of, you 22 know, what's involved in -- in somebody who, you know, 23 is helping you to accomplish your goals, somebody who 24 you paid to help lead you down, you know, your way 25 to -- you know, to your freedom day.</p>	<p>149</p> <p>1 Below there, you indicate the nature and 2 frequency of your prior investments. Did you type this 3 information in, sir?</p> <p>4 A Sorry, where -- where are you now? 5 Q Right below that, it says, "Please indicate 6 the nature and frequency of your prior investments." 7 Did you type in that information?</p> <p>8 A I am assuming I did since I signed it, it 9 kind of looks like my "X."</p> <p>10 Q It says, "Real estate - commercial and 11 rental, sales and flips." Were you and your wife 12 engaged in flips?</p> <p>13 A So -- so we talked about that before. I came 14 to understand flips in a different way with Loral, and 15 so we had -- we didn't do, you know, the -- the -- the, 16 you know, buy inexpensive property and renovate it and 17 sell it right away. So we did have the real estate 18 that we bought for our friends and sold that.</p> <p>19 Q Would you consider that a flip?</p> <p>20 A That's what I think was a flip.</p> <p>21 Q Okay. Who's the real estate professional in 22 your household?</p> <p>23 A So Elisabeth would be the real estate 24 professional.</p> <p>25 Q In what regard is she a real estate</p>

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<p>150</p> <p>1 professional?</p> <p>2 A So from what I understand what a real estate</p> <p>3 professional is, is somebody -- you know what,</p> <p>4 there's -- there's a definition that we would give our</p> <p>5 accountant, like how many hours you spent in it and</p> <p>6 those sorts of things, and so that's what a real estate</p> <p>7 professional is. She -- she managed the rental</p> <p>8 properties, she did -- she did, you know, real estate</p> <p>9 sales, she's a real estate agent.</p> <p>10 Q Was she an agent at the time you completed</p> <p>11 this?</p> <p>12 A She was.</p> <p>13 Q Okay. It says, "evaluations several times a</p> <p>14 year." What does that mean?</p> <p>15 A You know what, I no longer remember what that</p> <p>16 means. I'm not sure what's related to.</p> <p>17 Q Isn't it true that somebody evaluated your</p> <p>18 investments several times a year?</p> <p>19 A You know, I don't know that that has that</p> <p>20 meaning. That -- I'm sorry, just -- I mean, it's kind</p> <p>21 of in shorthand there, and so I -- I should have</p> <p>22 written it more completely, but I don't know that --</p> <p>23 what I actually meant by that when I wrote it, just</p> <p>24 look -- you know, trying to remember back that many</p> <p>25 years.</p>	<p>152</p> <p>1 through that.</p> <p>2 Q Did you do it on your own, or did you have a</p> <p>3 broker?</p> <p>4 A So we did it on our own, yeah.</p> <p>5 Q So who were the people evaluating your</p> <p>6 stocks, was that you?</p> <p>7 A I'm assuming that's what I meant by that,</p> <p>8 "stock evaluations frequently" would be me.</p> <p>9 Q And the next question is, "Do you make your</p> <p>10 own decisions with respect to such investments?" And</p> <p>11 did you mark "always"?</p> <p>12 A I think I did.</p> <p>13 Q Is that true?</p> <p>14 A So we -- so we -- we evaluate, do the</p> <p>15 evaluations and make decisions, you know, if we're</p> <p>16 going to buy it. And so we make those decisions based</p> <p>17 on information that we're given. And so we make it</p> <p>18 on -- in Loral's case, we made those decisions based on</p> <p>19 the recommendations that she made to us when she</p> <p>20 understood what our financial status was, what our</p> <p>21 goals were, and what we hoped to accomplish.</p> <p>22 Q I see. And you were asked to provide any</p> <p>23 additional information that you think may be helpful in</p> <p>24 enabling the company to determine whether you have</p> <p>25 sufficient knowledge and experience in financial and</p>
<p>151</p> <p>1 Q Below that, it says, "stocks evaluations</p> <p>2 frequently." What does that mean?</p> <p>3 A So when we would -- prior to -- prior to</p> <p>4 coming to Loral, you know, we tried different things to</p> <p>5 see how we would -- how we could invest money and have</p> <p>6 some income apart from having to work so hard. And so</p> <p>7 one way was to see -- in the stock market and to see</p> <p>8 how that worked.</p> <p>9 And so there -- you know, you -- you look at</p> <p>10 different stocks and try and figure out if -- if it's a</p> <p>11 good -- good company to buy stock in and those -- those</p> <p>12 sorts of things. So just doing those stock</p> <p>13 evaluations, that's what we did prior to coming --</p> <p>14 prior to coming to Loral.</p> <p>15 Q Who evaluated your stock portfolio?</p> <p>16 A So we didn't have a very big portfolio, and</p> <p>17 so that's what -- I mean, what we did. We looked at</p> <p>18 it.</p> <p>19 Q Did you have an investment advisor?</p> <p>20 A For our stock portfolio?</p> <p>21 Q Yes.</p> <p>22 A We -- we did not.</p> <p>23 Q Did you have a stockbroker?</p> <p>24 A We had an account through Fidelity, and so</p> <p>25 you can buy -- you know, buy and sell stocks online</p>	<p>153</p> <p>1 business matters.</p> <p>2 A Uh-huh (affirmative).</p> <p>3 Q And you write, "team consisting of contract</p> <p>4 and real estate attorney." Who's that person?</p> <p>5 A So we have a friend who does real estate and</p> <p>6 he did the closings for us, and so he's -- he's an</p> <p>7 attorney in town, Jeffrey Vinzani.</p> <p>8 Q How do you spell that?</p> <p>9 A Oh, gosh. V-i-n-z-a -- sorry, I'm looking at</p> <p>10 my wife to see if she can help me spell it. I never --</p> <p>11 I mean, I can do medical words pretty well, but a lot</p> <p>12 of the other spelling is not -- Vinzani,</p> <p>13 V-i-n-z-a-n-n-i (sic), I think. I'm not sure.</p> <p>14 Q Who were the other investors that you</p> <p>15 reference there?</p> <p>16 A So -- so Loral, when she was at the table,</p> <p>17 talked about a team and you needed to get a team in</p> <p>18 place. And so part of the team was, I think, the</p> <p>19 mastermind group. And so I don't actually recall at</p> <p>20 this point in time who the other investors, and really,</p> <p>21 when I read this, it -- it's a -- it's not very good</p> <p>22 English.</p> <p>23 And so -- so I think probably it's related to</p> <p>24 Loral as part of the team and -- and some of the group,</p> <p>25 some of the mastermind group that's involved in -- at</p>

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<p style="text-align: center;">154</p> <p>1 the Big Table. 2 Q The other investors you -- 3 A -- and another -- 4 Q The other investors you're talking about 5 include Loral? 6 A So that's -- I mean, she's -- she was the -- 7 kind of like the leader of our team, you know, she was 8 the one who knew what was going on. 9 Q I see. And you signed this in May of 2006, 10 correct? 11 A May 24th, it looks like. 12 Q All right, turn to Exhibit 33, please. Was 13 Exhibit 33 true when you signed this document? 14 A So this is Coastal Serenade, is that right? 15 Q Yes. 16 A So to the extent that we understood all of 17 this, we -- let me just read again to make sure. So 18 here's what -- what we understood at the time was that 19 Loral made a recommendation to us at the tables and 20 that she took into account our situation, and she 21 presented Coastal Serenade and that she gave us, you 22 know, different investments to choose from and that we 23 could be involved in those and that this -- you know, 24 from what we understood, you know, this was true at the 25 time that we made all those investments.</p>	<p style="text-align: center;">156</p> <p>1 that she -- that Loral and she had investigated this. 2 It's in the Red River -- Russian -- Russian River 3 Valley in California, it's a resort area, that this was 4 a -- a place where they would actually let pets 5 come, as well, that she had talked with -- that Debbie 6 had talked with the Chamber of Commerce, she had 7 already made business contacts, that that was a good 8 investment and it would have a good return. 9 When Elisabeth told Loral that she had -- 10 that we had invested in this, she said, "You just 11 doubled your money," and high-fived her. And so we 12 understood that, you know, these kind of things, you 13 know, are just things that are sort of boilerplate, 14 things that you write in there that don't really have 15 much meaning because Loral said that this was a very 16 good opportunity. And they just do this just to -- you 17 know, to do that, that they're required to, and that 18 what really mattered was that this was a good 19 opportunity and there was going to be a very good 20 return. 21 Q Mr. Lenes -- or Dr. Lenes, excuse me, is it 22 your sworn testimony that Loral Langemeier told you 23 that the text of Section M in Exhibit 34 was 24 boilerplate and that she didn't -- that you didn't need 25 to worry about that?</p>
<p style="text-align: center;">155</p> <p>1 Q Okay. Turn to Exhibit 34. Did you sign 2 Exhibit 34? 3 A Yes, that is my signature. 4 Q If you'll turn to page Lenes Hard Copy 5 001916. 6 A Okay. 7 Q Did you represent and warranty to Coastal 8 Serenade that you understood that that company would be 9 subject to all the risks inherent in the operation of a 10 business and the risks that are described in Section M? 11 MR. BRADLEY: Objection. Calls for a legal 12 conclusion. 13 A (Continuing) Sir, which section did you say? 14 Q Section M on page Lenes Hard Copy 1916. 15 A M, M as in -- 16 Q M as in Mitch. 17 A Mitch, thank you. Okay. So ask me your 18 question again. 19 Q Did you understand that the company was 20 subject to the risks specified in Section M? 21 A So when -- when we talked about all these 22 investments, Loral -- that Loral recommended to us, she 23 talked about Debbie Murray, she talked about her 24 experience in business, in turnaround business, that 25 she's a poster child in business plans and turnarounds,</p>	<p style="text-align: center;">157</p> <p>1 A She -- so I'm not able to give an exact 2 quote, but what we understood from the discussions were 3 that these -- these are things that the lawyers do and 4 that really what mattered was that you had a good team, 5 that you had -- that the team was good, that they'd 6 done their research, that they -- it was a proven 7 business model, you know, all the things that we 8 discussed. 9 And so these sorts of things, she -- she 10 answered those questions and so I -- I understood that 11 this was a business that was going to succeed and have 12 a good return on our -- on our income. 13 Q Did -- did Loral Langemeier explain to you 14 that Section M was just boilerplate language? 15 MR. BRADLEY: Objection, asked and answered. 16 A (Continuing) So -- so what she explained was 17 -- she didn't say Section M was boilerplate language. 18 What she explained was that, you know, there are things 19 that the lawyers just have in -- in documents, but what 20 really mattered was that this was a good team, that 21 she's -- she has, you know -- she's -- she's inspected, 22 she -- I'm trying to think of the right word. 23 She -- these are recommendations that she's 24 made, that she has skin in the game, and that 25 they're -- they -- they've been very careful about</p>

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<p style="text-align: center;">158</p> <p>1 all -- all the things that could go wrong and that this 2 was a good investment that was going to make a good 3 return.</p> <p>4 Q How old a man are you, sir? 5 A I am 58. I will be 59 next Tuesday.</p> <p>6 Q Have you had occasion to sign a variety of 7 contracts in your life?</p> <p>8 A Not -- you know, not so many. I mean -- 9 Q Not so many?</p> <p>10 A -- we've done -- I don't know -- "a variety 11 of contracts," I don't know exactly what that means, 12 but --</p> <p>13 Q Well, let's take -- 14 A -- you know, we -- we've signed loan papers. 15 Q Sure. When you signed loan papers with the 16 bank to borrow money against equity that you have in 17 real estate, did you think that you wouldn't really be 18 held to what -- the documents that you signed?</p> <p>19 MR. BRADLEY: Objection. Calls for a legal 20 conclusion.</p> <p>21 A (Continuing) So the -- when you -- when you 22 sign documents, there's -- there's really -- it's 23 not -- this is a different -- it's a different issue.</p> <p>24 Q Why? 25 A And so -- well, I'm getting ready to tell</p>	<p style="text-align: center;">160</p> <p>1 a nuclear war. And so it -- that was an expression to 2 say that there are things that happen in the world, but 3 that they -- they are very careful to make sure those 4 things wouldn't affect the business because it was a -- 5 it's a business that was already operational, it was a 6 business that had a good team, it was a business that 7 had a person who's going to be, you know, able to make 8 it very profitable, who's a turnaround specialist. 9 And -- and so those -- those issues are -- 10 you know, they were -- they were answered, Loral, you 11 know, said that those things, you know, were, you know, 12 not something we had so much to worry about.</p> <p>13 Q I see. Do you think that your 14 representations and warranties in Exhibit 34 have any 15 meaning whatsoever?</p> <p>16 MR. BRADLEY: Objection, calls for a legal 17 conclusion.</p> <p>18 A (Continuing) So -- so we -- to the extent 19 that we understood all these things, we felt that they 20 were answered and appropriate. And we thought we did 21 the right thing and we thought that Loral was doing the 22 right thing and we thought that Loral was acting in our 23 best interest.</p> <p>24 Q All right. 25 A And so we -- we answered those, you know, the</p>
<p style="text-align: center;">159</p> <p>1 you. And so this is -- it's not something that you're 2 not held to. This is -- it's been -- it's been 3 answered, so Loral dealt with that. And so when we -- 4 when -- there's one thing when you understand a risk 5 and there's another thing when somebody has explained 6 that really those -- those really aren't risks. 7 And so what we understood was that they -- 8 you know, they were careful to make sure that it was a 9 good business, they had a -- a very good, you know, 10 plan, the business had been operating already and 11 they'd been making money. And so, you know, these are 12 very general things. 13 I mean, you could write, you know, there's 14 nuclear war, well, guess -- you know, if there's a 15 nuclear war, then the business wouldn't do very well. 16 You know, it's -- it's -- 17 Q And you knew that that was a risk, didn't 18 you? 19 A And so -- 20 Q If there's a nuclear war, the business 21 wouldn't do very well? 22 A So -- so that's a silly statement -- 23 Q Why? 24 A -- and -- because when you have a company 25 that has a -- you know, there's very low probability of</p>	<p style="text-align: center;">161</p> <p>1 way that we understood them at the time in an -- in an 2 attempt to be as truthful and under -- and accurate as 3 we could.</p> <p>4 Q Turn to Exhibit 35, please. 5 A (Witness complied with request of counsel.) 6 Q Have you seen Exhibit 35 before? 7 A You know, that -- 8 MR. BRADLEY: I want to make an objection for 9 the -- the record that Exhibit 35 is a piece of a 10 document. I'm not sure where the rest of the 11 document is. To the extent that you're not 12 providing him with the whole document... 13 A (Continuing) So I was going to say, it's a 14 little -- I mean -- I mean, it says, "Lenes Hard Copy," 15 so I'm sure it's something that -- does that mean that 16 we provided it? 17 Q Yes. 18 A And so there's probably something to go along 19 with it, but it's just -- I mean, it's hard for me to 20 say, only because I don't really know what -- I don't 21 know what this is all connected to. 22 Q All right, sir. Well, take a look at Exhibit 23 34. 24 A Okay. 25 Q Exhibit 34 runs from page Lenes Hard Copy</p>

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<p>162</p> <p>1 1913 to Lenes Hard Copy 1926.</p> <p>2 A Uh-huh (affirmative).</p> <p>3 Q The next page you produced was the next page,</p> <p>4 Lenes Hard Copy 1927. Do you see that?</p> <p>5 A Uh-huh (affirmative).</p> <p>6 Q I'll represent to you that this is the format</p> <p>7 in which it came, okay?</p> <p>8 A Okay.</p> <p>9 MR. BRADLEY: Well, you know what --</p> <p>10 A (Continuing) So the --</p> <p>11 MR. BRADLEY: -- and so --</p> <p>12 A (Continuing) -- the thing --</p> <p>13 MR. BRADLEY: -- you know, you've got 1927 as</p> <p>14 Exhibit 35, and then -- and it says, "Page 1 of</p> <p>15 13." Exhibit 36 begins with 1935 and it's page 9</p> <p>16 of 13. Now, it's possible that they didn't have</p> <p>17 the whole document. All I'm saying is I don't</p> <p>18 know, as I sit here, whether this is a complete</p> <p>19 document.</p> <p>20 MR. LITTLE: Thanks.</p> <p>21 BY MR. LITTLE:</p> <p>22 Q All right. Dr. Lenes, have you seen the</p> <p>23 statement regarding securities in Exhibit 35 before?</p> <p>24 A This -- this page?</p> <p>25 Q Yes, sir. Have you seen it?</p>	<p>164</p> <p>1 we invested in it.</p> <p>2 Q So is it fair to say, based upon what Loral</p> <p>3 told you, you didn't think there was a high degree of</p> <p>4 risk in Coastal Serenade?</p> <p>5 A You know, really, what she told us, we -- we</p> <p>6 didn't really think about risk so much.</p> <p>7 Q I see.</p> <p>8 A We -- we thought that there was a good</p> <p>9 return, that it was a good business, that it would do</p> <p>10 well, and that we would be able to, you know, have some</p> <p>11 income from it.</p> <p>12 Q Did you think any of the risk factors</p> <p>13 expressed in Exhibit 36 applied to your investment in</p> <p>14 Coastal Serenade at the time you made your investment?</p> <p>15 A Do you mean Exhibit 35 or --</p> <p>16 Q I mean Exhibit 36.</p> <p>17 A So I turn to the next one?</p> <p>18 Q Yes, sir.</p> <p>19 A Okay.</p> <p>20 MR. BRADLEY: Take your time to look through</p> <p>21 it.</p> <p>22 MR. LITTLE: Tell you what, Jim, I'd like to</p> <p>23 take a restroom break. Why don't we let him read</p> <p>24 that during the break --</p> <p>25 MR. BRADLEY: Okay.</p>
<p>163</p> <p>1 A So I -- I don't -- I mean, I don't have a</p> <p>2 context to put it in, so it doesn't jump up that I can</p> <p>3 remember.</p> <p>4 Q I see. Look at the third paragraph from the</p> <p>5 bottom. It reads, "The securities offered hereby are</p> <p>6 speculative and investment in the securities involves a</p> <p>7 high degree of risk." It's in all capitals. Do you</p> <p>8 see that?</p> <p>9 A Yes.</p> <p>10 Q Did you understand that to be true at the</p> <p>11 time that you made your investment?</p> <p>12 A So the entire form is in capital letters, and</p> <p>13 the -- so what we understood was that we went to Loral</p> <p>14 Langemeier and she knew -- I mean, it -- it's really</p> <p>15 the same thing, she knew the resources that we had, she</p> <p>16 knew what our goals were, she knew what would be good</p> <p>17 recommendations for us.</p> <p>18 She talked to us about how good the team was,</p> <p>19 about Debbie Murray, about the location, about the</p> <p>20 previous business being still an operational business</p> <p>21 that they could make work better. And -- and so we</p> <p>22 understood that it was a good investment, and so we</p> <p>23 didn't -- she didn't talk about risk. She talked about</p> <p>24 the return, you know, that we could expect and that</p> <p>25 she -- she told us we had just doubled our money when</p>	<p>165</p> <p>1 MR. LITTLE: -- and come back and ask him</p> <p>2 questions.</p> <p>3 VIDEOGRAPHER: Off the record at 2:03.</p> <p>4 (Brief recess taken.)</p> <p>5 VIDEOGRAPHER: On the record at 2:07.</p> <p>6 BY MR. LITTLE:</p> <p>7 Q Dr. Lenes, have you had an opportunity to</p> <p>8 review Exhibit 36?</p> <p>9 A I'm -- I'm just going to go over -- I'm</p> <p>10 sorry. I'll go a little quicker. Okay. What is your</p> <p>11 question?</p> <p>12 Q My question was, at the time you invested in</p> <p>13 Coastal Serenade, did you understand that the risk</p> <p>14 factors expressed in Exhibit 36 applied to your</p> <p>15 investment?</p> <p>16 A So what we understood was -- is that when</p> <p>17 we -- when Loral presented the investment, that</p> <p>18 there -- she -- she answered a lot of these risk</p> <p>19 factors. She said that the -- the company was a</p> <p>20 company that had already been doing business, that</p> <p>21 Coastal Serenade would take that over, but it was</p> <p>22 already doing business.</p> <p>23 She said that they already had -- you know,</p> <p>24 there were people booking it, they checked on the</p> <p>25 booking history and everything. They -- you know, they</p>

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<p>166</p> <p>1 talked about, you know, what they could do to expand 2 the business and to have -- offer more massages and 3 they could offer products -- I'm trying to think what 4 all those things are called, but, you know, the -- the 5 massage products and the oils and the candles and all 6 those sorts of things that they could offer with that, 7 and that that would increase the return. 8 I mean, so each of the -- each of the things 9 that she talks about in the risk factor, she talked 10 about how Debbie Murray did -- you know, just did a 11 great job in making a business plan and projections and 12 all those sorts of things. 13 So -- so there's risks, you know, that are 14 outlined here, but she answered all those risks. And 15 so what we understood was that this was a good 16 investment and it would have a good return and that we 17 would -- we would do well from it. 18 MR. LITTLE: Object, nonresponsive. 19 BY MR. LITTLE: 20 Q Dr. Lenes, did you understand that the risk 21 factors applied or didn't you? 22 A So -- what we understood was that these risk 23 factors were taken care of by the plans that Loral had 24 in place, and so that it was -- that it would be a good 25 investment, that there was -- that she had an answer</p>	<p>168</p> <p>1 that could happen and they've made a plan. And they 2 have a plan to deal with each of those and they know 3 how they're going to do it and they've written it out 4 very well. 5 And Loral, this is what she does, I mean, 6 she -- she is the millionaire maker and she's, you 7 know, done that for herself and she's done it for other 8 people. And she -- you know, Debbie is the poster -- 9 her poster child. So, how -- I mean, you have the 10 poster child as the person who's doing this. 11 And so this is not ignoring things. It's 12 showing me that there's somebody who's very competent 13 who -- who did a -- you know, had plans for how to deal 14 with all this and make it a very good investment and -- 15 and that we would have a good return on this 16 investment. 17 Q Did Loral Langemeier's statement negate any 18 concerns you had about these risk factors? 19 A So her statements, you know, I -- I was 20 confident in her. And so, really, we focused on, you 21 know, a good return and -- and so she answered -- she 22 answered all of those. 23 Q Turn to Exhibit 37, please. Did you read 24 Exhibit 37 prior to making your investment? 25 MR. BRADLEY: For the record, I'd like to</p>
<p>167</p> <p>1 for, you know, each of the things when they did the 2 presentation at the table. 3 Q And the presentation that happened at the 4 table happened before you ever saw Exhibit 36, correct? 5 A I -- I would -- I think that's probably 6 correct, yes. 7 Q So when you finally saw Exhibit 36, did you 8 think it's okay to ignore this because of what Loral 9 told me at the table? 10 A So, again, that's not exactly right. 11 Q Okay. 12 A And so when she -- when she made the -- it's 13 not that you ignore things, and so she -- she had 14 these -- these -- you know, their -- they had these 15 risks that they wrote down and she explained all of 16 that. So it's not ignoring at all. 17 It's -- there's -- there's a -- what she -- 18 what she said was there's -- they have a good plan in 19 place, they have a good team in place, it's -- it's 20 already been an established business, they would just 21 be building on that. 22 So it's not -- it's not ignoring risk. 23 It's -- it's using -- it's -- in my mind, it's showing 24 that this is a good team, they -- they've anticipated 25 what's going to -- you know, what are potential things</p>	<p>169</p> <p>1 point out that Exhibit 37 seems to consist of 2 multiple documents. So is your -- your question 3 with respect to all of them? 4 MR. LITTLE: Yes. 5 A (Continuing) So I -- well, sorry. So I'm 6 sorry, if -- if you don't mind, I'll go through. So I 7 know I saw this -- this document (indicating). I think 8 you already have that one from a previous one. I -- 9 I -- I remember seeing -- seeing that -- you know, the 10 Guemmer document. And the operating agreement, I -- I 11 just don't really recall. That's a very long document. 12 I don't -- 13 Q Did you read the private placement memorandum 14 before making your investment, sir? 15 A So which one, that's -- which one is that? 16 Q That's the top document. 17 A This one (indicating)? 18 Q Yes. 19 A Yes, I think I said that. 20 Q Okay. Turn to Exhibit 46, please. 21 A Okay. 22 Q This appears to be an email from David Zebny 23 to you and your wife in June of 2006, says, "Prom 24 Note" -- or actually, "Note 1, 250." Do you see that? 25 A Okay.</p>

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<p style="text-align: center;">170</p> <p>1 Q The subject?</p> <p>2 A Uh-huh (affirmative).</p> <p>3 Q At this point, did you begin investing with Z</p> <p>4 Restaurant -- or with -- in Prom Notes with Mr. Zebny?</p> <p>5 MR. BRADLEY: I'm sorry, can I -- can I get</p> <p>6 that question back?</p> <p>7 MR. LITTLE: Yeah.</p> <p>8 BY MR. LITTLE:</p> <p>9 Q At this point, did you begin investing in</p> <p>10 Prom Notes with Mr. Zebny?</p> <p>11 A I believe that's correct.</p> <p>12 Q Did you do any kind of research into the</p> <p>13 creditworthiness of Mr. Zebny prior to loaning him that</p> <p>14 money?</p> <p>15 A So when we -- when we went to the table,</p> <p>16 Loral presented David Zebny, the Z Restaurant, as a --</p> <p>17 as an investment opportunity and she talked about that</p> <p>18 he was -- owned a restaurant in California that was</p> <p>19 successful, that he was an M.B.A., he worked with</p> <p>20 Fidelity, he had a guy that helped make Fields</p> <p>21 nationwide, involved a good location, knew the area,</p> <p>22 knew the market.</p> <p>23 And -- and so when we -- and she also told us</p> <p>24 how to get ahold of our lazy assets, and so we -- we</p> <p>25 had -- we had gotten a second mortgage on our home and</p>	<p style="text-align: center;">172</p> <p>1 A Tell me again.</p> <p>2 Q Who were the other two choices?</p> <p>3 A So I -- I just said, you know, that I -- I'm</p> <p>4 not sure I can even remember who the other two choices</p> <p>5 were right now. And -- and so we chose David Zebny out</p> <p>6 of the three choices that -- that she gave us.</p> <p>7 Q And David Zebny paid off some of your</p> <p>8 promissory notes, correct?</p> <p>9 A He paid some interest and he paid off some of</p> <p>10 the promissory notes.</p> <p>11 Q When was the last time that Loral Langemeier</p> <p>12 gave you any kind of financial advice or investment</p> <p>13 advice?</p> <p>14 A The last time Loral gave us investment advice</p> <p>15 was probably -- you know, we were involved with --</p> <p>16 MR. BRADLEY: And -- and hold on, I'm -- I'm</p> <p>17 going to object to that as calling for a legal</p> <p>18 conclusion.</p> <p>19 A (Continuing) So we were involved with --</p> <p>20 with Loral, you know, for a couple of years, and so</p> <p>21 I -- she's -- she's had times when, I mean, we were on</p> <p>22 the phone, we were at tables, we were at alumni</p> <p>23 meeting, so I -- I don't know that I -- I really recall</p> <p>24 the last time that she gave us advice. I mean, we</p> <p>25 were -- she did laser calls. She talked to us, and so I</p>
<p style="text-align: center;">171</p> <p>1 we had that money available. And we were going to be</p> <p>2 gone on vacation -- not really vacation, that's -- I</p> <p>3 mean, we did a -- we did a trip, a missions trip with</p> <p>4 our family.</p> <p>5 And so Elisabeth talked to Loral's office and</p> <p>6 asked, you know, what -- what could we put this money</p> <p>7 in to invest it to get started with. And so she gave</p> <p>8 us, I think, three choices and we invested in David</p> <p>9 Zebny in the -- in the -- in the restaurant group here.</p> <p>10 So we -- we trusted that Loral, who knew our</p> <p>11 finances and knew what our goals and aspirations were,</p> <p>12 knew what our -- was best for us, would give us choices</p> <p>13 that were good choices to invest in.</p> <p>14 Q Did she tell you which choice -- which one to</p> <p>15 choose?</p> <p>16 A She gave us a set of three and we chose David</p> <p>17 Zebny.</p> <p>18 Q Why did you choose David Zebny?</p> <p>19 A You know, I -- I don't quite recall, you</p> <p>20 know, what prompted us to make -- I can't remember what</p> <p>21 the other two choices were at the time and when I --</p> <p>22 Q But she didn't tell you to choose David</p> <p>23 Zebny, did she?</p> <p>24 A She gave us three choices.</p> <p>25 Q Who were the other two choices?</p>	<p style="text-align: center;">173</p> <p>1 -- I'm sorry, I just --</p> <p>2 Q Thank you.</p> <p>3 A -- don't recall the last time.</p> <p>4 Q Turn to Exhibit 53, please.</p> <p>5 A (Witness complied with request of counsel.)</p> <p>6 Q Is this a letter that you wrote?</p> <p>7 A Yes.</p> <p>8 Q Did Loral Langemeier tell to you invest this</p> <p>9 money in IRR-Residential?</p> <p>10 A So what -- what Loral -- one of the things</p> <p>11 that she told was different ways that you could do</p> <p>12 investments. And so the -- one way, if you had an IRA,</p> <p>13 there was the park and pray, where you had mutual funds</p> <p>14 and you just had those in -- in your retirement account</p> <p>15 and you would trust somebody, you know, who you didn't</p> <p>16 know, that you didn't have access to do -- to do -- to</p> <p>17 take care of running that company and doing those</p> <p>18 things well. And so she called those park and pray</p> <p>19 assets.</p> <p>20 And so she presented IRR as an opportunity</p> <p>21 where you could -- one of the teachings they had was</p> <p>22 how you can do less -- you know, nontraditional, I</p> <p>23 think that's what they called them, investments</p> <p>24 where -- so in a -- like a Fidelity account, where we</p> <p>25 had our retirement account, that's stocks and bonds,</p>

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<p>174</p> <p>1 those kind of things, and mutual funds. And -- and so 2 they wouldn't hold property in an account like that, 3 for example, or they wouldn't have a business holding 4 in an account like that.</p> <p>5 And so in order to do that, there's -- 6 there's a legal, appropriate way to do that, and you 7 had -- Entrust was a company that knew -- knew how to 8 do that. And so they presented to us that you could 9 work with Entrust and they -- and you could take money 10 from your retirement account and put it in that 11 account, and then they could buy the business or buy 12 the property or do any of those kind of things.</p> <p>13 And so -- so she said, "You need to move -- 14 you need to move money into a trust," and then they 15 could purchase the IRR-Residential and -- and hold that 16 in the retirement account for you and it would be 17 like -- it would be like a retirement account, but 18 you'd have a business instead of a stock. And the 19 business would return more money than a stock would, 20 you'd have a better -- a better return.</p> <p>21 Q Did she tell you to invest in 22 IRR-Residential?</p> <p>23 A She --</p> <p>24 Q Loral Langemeier.</p> <p>25 A So that was -- so she had her choices, you</p>	<p>176</p> <p>1 to use in a -- in a retirement account where it's an 2 atypical kind of investment.</p> <p>3 Q What were the other choices?</p> <p>4 A For what?</p> <p>5 Q You -- you said that she gave you a set of 6 choices. What choices?</p> <p>7 A I mean, so the whole -- the whole broad 8 spectrum, but the only one that -- that I recall that 9 fit into the retirement account was the 10 IRR-Residential, so that was like the choice for that 11 that -- you know, that it would fit into that well. 12 And so to the best of my recollection, that was the 13 best choice to go into a self -- into an atypical 14 self-directed retirement account.</p> <p>15 Q I see. Turn to Exhibit 54, please.</p> <p>16 A All right.</p> <p>17 Q On the 4th of July, 2006, this is the same 18 day as your -- as your message to Entrust, your family 19 put up \$600,000 with Z Restaurant Group, is that right?</p> <p>20 A Yes.</p> <p>21 Q Did you tell Loral Langemeier you were going 22 to give David Zebny \$600,000?</p> <p>23 A We -- what -- what we told was that we had -- 24 excuse me, that we had done as she suggested we do, 25 that we get a second mortgage on our home and we had</p>
<p>175</p> <p>1 know, all the -- all the things that she recommended, 2 you know, they're put on the wall, and she -- and she 3 talked about why Entrust would be a good investment for 4 a retirement account, because it -- I don't actually 5 remember the details of why she said it was good. But 6 she said that kind of a company would be good to put in 7 a retirement account. And so she recommended that we 8 put that in the retirement account.</p> <p>9 Q IRR-Residential or Entrust? I don't 10 understand.</p> <p>11 A Sorry. IRR is the company and the retirement 12 account is Entrust.</p> <p>13 Q And she recommended that you put 14 IRR-Residential inside of your self-managed IRA or 15 self-directed IRA?</p> <p>16 A So -- well, I don't exactly understand what 17 you're saying. What she -- so it's not -- I don't 18 understand the nomenclature.</p> <p>19 Q Did she -- did Loral Langemeier recommend 20 that you use your self-directed, self-managed IRA money 21 to invest in IRR-Residential?</p> <p>22 A That was one of the choices that she gave us 23 and it was the one that fit in that kind of a setting. 24 And so we felt that was -- you know, that was the right 25 choice and she recommended that that was a good thing</p>	<p>177</p> <p>1 \$600,000, and that -- and that part of what we needed 2 to do was to invest, get that money working so it 3 wasn't a lazy asset.</p> <p>4 And so she gave us a choice of three 5 investments, and so David Zebny was one of them and so 6 we told him we had -- we've got, you know, close to 7 700,000 or we've got a little over 700 from -- from -- 8 from our home and so we put that 600 in. That's what 9 we told her, how much we had, and that's what she gave 10 us and so that's what we did.</p> <p>11 Q What do you mean, "that's what she gave us"?</p> <p>12 I don't understand.</p> <p>13 A She gave us those choices, you know, for Prom 14 Notes, David Zebny and the other two, whatever they 15 were.</p> <p>16 Q And you told her you were going to --</p> <p>17 A That we had --</p> <p>18 Q -- loan that \$600,000 to David Zebny?</p> <p>19 A And that we had this much money to invest, 20 that's what we told her.</p> <p>21 Q Okay. Turn to Exhibit 58, please.</p> <p>22 A (Witness complied with request of counsel.)</p> <p>23 Q Does your signature appear on Exhibit 58?</p> <p>24 A Yes.</p> <p>25 Q Why -- do you understand why you were filling</p>

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<p>178</p> <p>1 this out?</p> <p>2 A We -- we understood that this was some of the</p> <p>3 paper that you needed to do to get information on</p> <p>4 the -- on the -- on each of the investments that Loral</p> <p>5 recommended to us.</p> <p>6 Q And to whom did you send this investor</p> <p>7 questionnaire?</p> <p>8 A And, again, you know, I really don't recall</p> <p>9 who -- who I sent it back to, who was responsible for</p> <p>10 this.</p> <p>11 Q I see. Turn to Exhibit 59, please.</p> <p>12 MR. BRADLEY: And for the record, I would</p> <p>13 point out that the document speaks for itself and</p> <p>14 on the -- page 3 of that document instructs where</p> <p>15 to send that document.</p> <p>16 MR. LITTLE: Jim, you don't need to testify,</p> <p>17 really. I mean, if he doesn't remember where he</p> <p>18 sent it, that's fine.</p> <p>19 BY MR. LITTLE:</p> <p>20 Q Have you seen Exhibit 59 before?</p> <p>21 A I've signed it.</p> <p>22 Q What is Refined Properties, LP?</p> <p>23 A I -- I don't recall what Refined Properties,</p> <p>24 LP is. I'm assuming that we -- there was something</p> <p>25 else that she presented that we looked at and didn't</p>	<p>180</p> <p>1 that. And so she -- you know, these were just some of</p> <p>2 the other investments that she presented through the</p> <p>3 Big Table.</p> <p>4 Q Okay. So she recommended that you select</p> <p>5 investments within certain categories of allocation, is</p> <p>6 that correct?</p> <p>7 A She recommended that we have oil, that we</p> <p>8 have real estate, that we have Prom Notes, that we have</p> <p>9 businesses.</p> <p>10 Q And you had choices to make inside each of</p> <p>11 those categories, correct?</p> <p>12 A Some -- I mean, some things only had one</p> <p>13 choice, oil was Oil2, you know, oil and gas, you know,</p> <p>14 so they're just one -- one choice there.</p> <p>15 Q Could you have gone out and found other oil</p> <p>16 and -- oil and gas investments on your own?</p> <p>17 A You know, I -- I have no idea how to do that.</p> <p>18 Q Okay. Turn to Exhibit 60, please.</p> <p>19 A All right.</p> <p>20 Q Was Exhibit 60 true when you signed it?</p> <p>21 A So, again, you know, to -- in the -- in the</p> <p>22 framework of coming to Loral's Big Table and having her</p> <p>23 make recommendations of companies to invest in, we --</p> <p>24 we understood this, that this was what we needed to do</p> <p>25 to get the paperwork, and that to the extent that I</p>
<p>179</p> <p>1 choose to invest in.</p> <p>2 Q You asked for the information based on what?</p> <p>3 Did Loral tell you you needed to look at Refined</p> <p>4 Properties, LP?</p> <p>5 A So, I mean, I don't really recall exactly</p> <p>6 what Refined Properties is. I know that when we were</p> <p>7 at the table, Loral told -- told us how to allocate our</p> <p>8 assets, and some of them were in real estate. And she</p> <p>9 had different real estate opportunities that she</p> <p>10 presented and they were in Missouri and Ohio and New</p> <p>11 Mexico and Georgia and Florida and maybe some others,</p> <p>12 you know, that I just don't recall off the top of my</p> <p>13 head.</p> <p>14 And so we -- we were doing, you know, what</p> <p>15 she asked us to do, to look at things and to -- to see</p> <p>16 if that was a good opportunity for us.</p> <p>17 Q She asked you to look at -- look at it and</p> <p>18 see if it was a good opportunity for you --</p> <p>19 A She --</p> <p>20 Q -- correct?</p> <p>21 A She -- she asked -- I mean, she -- she</p> <p>22 looked -- she had us look at all the investments, I</p> <p>23 mean, so she presented the investments and we had, you</p> <p>24 know, different ones to choose. And she recommended</p> <p>25 that we do real estate, that we do oil, that we do</p>	<p>181</p> <p>1 understood this, I -- I understood it that this was --</p> <p>2 this was correct, that this was true.</p> <p>3 So she -- she explained the investments and</p> <p>4 asked us to fill out this paperwork and -- and that's</p> <p>5 what we did to go to the next step to get the next set</p> <p>6 of paperwork.</p> <p>7 Q Was Exhibit 62 true when you signed it?</p> <p>8 A So Vetrazzo is the same thing, she --</p> <p>9 MR. BRADLEY: I'm sorry. Did we skip an</p> <p>10 exhibit?</p> <p>11 MR. LITTLE: Yes.</p> <p>12 MR. BRADLEY: Okay.</p> <p>13 A (Continuing) So Vetrazzo -- so when we went</p> <p>14 to the table, she explained to us that Vetrazzo was a</p> <p>15 green company in California that was going to do very</p> <p>16 well and that we would have a very good return on</p> <p>17 our -- on our investment with Vetrazzo and that we</p> <p>18 needed to fill out the paperwork to be able to -- this</p> <p>19 paperwork to get the next set of paperwork and that --</p> <p>20 that she -- she -- she presented a company that would</p> <p>21 fit what we needed to invest in, and so we filled out</p> <p>22 the paperwork.</p> <p>23 Q Was it true when you signed it?</p> <p>24 A So we -- we understood that all this</p> <p>25 information was correct when we signed it.</p>

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<p style="text-align: center;">182</p> <p>1 Q Okay. Turn to Exhibit 63. You certified by 2 your signature in Exhibit 63 that the Vetrazzo 3 investment was also consistent with your overall 4 investment strategy, correct?</p> <p>5 MR. BRADLEY: Objection, calls for a legal 6 conclusion.</p> <p>7 A (Continuing) So when we -- when we said 8 that, we said that we have been to the Big Table and 9 that we had revealed -- showed Loral all of the assets 10 that we had, she helped us figure out how to mobilize 11 them. She -- she understood what our goals and 12 aspirations were, and she had helped us, you know, with 13 an investment strategy and recommended to us things 14 that we felt -- she felt would fit into -- into our -- 15 our goals and what would be good for us.</p> <p>16 And so -- so it was consistent with the 17 investment strategy that we felt she was helping us 18 with.</p> <p>19 Q Take just a look -- quick look at Exhibits 20 64, 65, 66, 67, there's a variety of declarations of 21 non-solicitation that you signed. Do you see that?</p> <p>22 A Uh-huh (affirmative).</p> <p>23 Q You signed those and the declarations of 24 solicitation --- non-solicitation for Vetrazzo and 25 BioCare Direct all on the same day, August 10, 2006.</p>	<p style="text-align: center;">184</p> <p>1 things, she presented them with the sense of urgency, 2 if you don't get in this, you might not be able to get 3 in. And they would talk about them and then they'd 4 say, okay, you know, as soon as we're ready, you ask -- 5 they had something called DPP online, which is kind of 6 her clearinghouse to request all this information.</p> <p>7 And so you had to go online and request it 8 and -- and that -- and then you get the information to 9 be able to make the investment or at least -- not make 10 the investment, but that gave you to the next step, you 11 know, of getting the information so you could see what 12 the -- get the private placement memorandum or whatever 13 it was that they would send with that.</p> <p>14 And -- and so you -- you felt like, oh, we 15 just have to hurry up and get -- get in the queue in 16 order to have an opportunity if that was something that 17 would be a good fit for our particular needs. And so 18 you would -- you know, it's the buzz -- it was the buzz 19 around the table, you know, the tables you needed to 20 hurry up and, you know, get -- kind of get in line. 21 And if, you know, it might be really good, it would go 22 fast.</p> <p>23 And so you would ask -- if several things 24 became available at one time, you -- you know, you 25 would ask for the information on those things. And so,</p>
<p style="text-align: center;">183</p> <p>1 A Uh-huh (affirmative)</p> <p>2 Q Do you see that?</p> <p>3 A Uh-huh (affirmative).</p> <p>4 Q What was the need to review six different 5 investment vehicles on the same day? What drove that?</p> <p>6 A So when -- when Loral presented these, 7 they're -- they're always presented, you know, with a 8 sense of urgency. And so the -- we'd already 9 experienced in one of the previous investments where 10 the investment took a limited number of investors and 11 you -- if you didn't make it in time, then, you know, 12 you didn't get to invest. And that -- that investment 13 was doing very well.</p> <p>14 Q What investment was that? I'm sorry.</p> <p>15 A That was the -- the nutrition one, it's 16 just -- it's before the Supplements To Go, the -- it 17 will -- it will eventually come back to me, but it's 18 the -- it's the -- the other nutraceutical nutrition 19 company that they developed before -- before 20 Supplements To Go.</p> <p>21 And so that -- that had closed up just as our 22 table got there. They'd already invested, gotten all 23 the investors. And so that was already doing very 24 well.</p> <p>25 And so when -- when Loral presented these</p>	<p style="text-align: center;">185</p> <p>1 most likely -- and we had been gone for part of the 2 summer, and so when we got back, we -- I think probably 3 we felt like we were behind the eight ball, and so we 4 sent -- we sent -- we sent in a number of requests to 5 figure out, you know, what the -- what these 6 investments were. Since we were -- we'd been out of 7 the country, we hadn't been able to -- we weren't on 8 laser calls and those sorts of things for that month, 9 and so we needed to kind of catch up. So I imagine we 10 sent those in to -- to get further information on the 11 investments.</p> <p>12 Now, some of these were -- were real estate 13 investments and -- and which -- you know, which one 14 went with which, I know that Cerritos Beach was in 15 Mexico. And I don't -- Renew -- where -- the locations 16 of these, I -- I no longer remember where they were, 17 you know, Advantage, Cerritos Beach, Renew, Tequila 18 Ranch, I know that was in Mexico.</p> <p>19 And so those -- those property -- those 20 investments, we -- we didn't -- we didn't think, you 21 know, investing in Mexico was such a good choice for us 22 just because, you know, it's a different currency and 23 not very close to where we lived, and so we didn't -- 24 we just didn't really want to do that.</p> <p>25 Q That didn't stop you from --</p>

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<p>186</p> <p>1 A And -- 2 Q -- investing in condo towers in San Jose, 3 California, did it? 4 A Did what stop us from investing in condo -- 5 Q The fact that they were across the country 6 from you. 7 A So I -- I don't think that's exactly what I 8 said. So we didn't invest in Mexico because it's 9 another country, it was a long way from us, and it was 10 a different currency. And so it's -- you know, we 11 wouldn't -- we wouldn't -- and these -- if I remember 12 correctly, these were single units, and so it's a whole 13 different kind of an investment. 14 And so then you're -- some of it was land, 15 you know, that you would contract and have somebody 16 build something on. And so then we would have had to 17 manage a -- a contract across -- in Mexico with a 18 language that we didn't know, with a currency that we 19 didn't know and all those sorts of things. So we felt 20 that -- and my wife is French, you know, we're -- if 21 we're going to do something, we'd rather do it in 22 France -- 23 Q I see. 24 A -- you know. And so it's -- it just -- you 25 know, for those reasons, we felt we just didn't, you</p>	<p>188</p> <p>1 Q Dr. Lenes, if you would, please, take a look 2 at Exhibit 118. Exhibit 118, for lack of a better 3 word, is kind of an amalgam of subscription agreements 4 that were produced in this order. Do you see that? 5 A I'm sorry. The -- I mean, the -- 6 Q 118. 7 A Got the wrong -- I'm sorry. Okay. Sorry. Sorry. 8 Q Did you fill out multiple subscription 9 agreements for Renaissance Laser? 10 A So there's two, two, and you're asking if we 11 went two in, or what are you asking me? 12 Q Yes. I'm -- I'm asking you if there were 13 multiple iterations that you sent in, because one of 14 them appears to be sent earlier than another. I'm 15 asking if you recall how it was that you invested in 16 Renaissance Laser, were there multiple subscription 17 agreements? 18 A You know, is it -- I'm trying to -- do you 19 think one is -- one is a copy of a fax that we sent in, 20 or is it different dates or -- 21 Q I don't know. I'm asking you if you 22 remember. 23 A I -- I really don't remember, you know, 24 what -- why we'd had --</p>
<p>187</p> <p>1 know, want to do those investments. They had 2 investments in other places, I'm not sure which ones 3 got with what, you know, which was in Louisiana, which 4 was in Ohio, which -- you know, wherever they -- 5 wherever they all were, and it was the -- it was the 6 same sort of thing. 7 Those -- at least the ones I know in Missouri 8 were single-family homes, and so there are a lot of 9 single units and we -- we just wanted to, you know, 10 move away from that. We didn't feel like we wanted to 11 be responsible for maintaining a building, you know, a 12 home long distance and trying to manage renters and all 13 those sorts of things. You have a company that does 14 that, but you're still responsible. So I -- I just -- 15 you know, so we -- we just didn't do any of those 16 investment. 17 Q I see. 18 MR. LITTLE: He needs to change the tape. 19 VIDEOPHAGER: Off the record at 2:42, Tape 20 No. 4. 21 (Brief recess taken.) 22 VIDEOPHAGER: This is Tape No. 5 in the 23 deposition of Dr. Steven Lenes. We're on the 24 record at 2:52. 25 BY MR. LITTLE:</p>	<p>189</p> <p>1 Q You just made one investment of \$100,000? 2 A That's correct, we just made one investment, 3 so I don't understand why there are multiple pages. 4 I'm looking to see if -- 5 Q If you'll take a look at page Lenes Hard Copy 6 001879. 7 A Seven nine, okay. 8 Q There's a Section 3(g) at the top. It reads, 9 "The subscriber and its/his/her purchaser 10 representative" -- do you see that? 11 A Yes. 12 Q -- "if any, may only rely on the information 13 furnished" or made available to -- "or to be made 14 available to the subscriber in its/his/her purchaser 15 representative, if any, by the company as described 16 above." Do you see that? 17 A Yes. 18 Q Did you rely on any information other than 19 what was provided by Renaissance Laser in making your 20 investment decision? 21 A So when we made the reservation -- excuse me, 22 the represent -- the -- sorry. When we made the 23 investment in Renaissance Laser, we -- we -- we 24 depended on -- on Loral. She had us to the Big Table, 25 we presented our information to her, the -- the</p>

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<p>190</p> <p>1 investments, money that we had available, the -- and 2 what our goals and concerns were and our hopes were and 3 what would be -- she helped determine what would be 4 good investments for us.</p> <p>5 And so when we invested in Renaissance Laser, 6 she told us that this would be a good investment for 7 us. It's a -- it -- it would have a good return, we 8 would make a good return on our -- our investment with 9 them.</p> <p>10 Q And that information was provided by Loral 11 Langemeier, not Renaissance Laser, correct?</p> <p>12 MR. BRADLEY: Objection. There's an imbedded 13 legal conclusion there.</p> <p>14 A (Continuing) So what -- excuse me. What -- 15 what -- so I don't -- I don't exactly understand what 16 all this means in this number (sic) G. And so Loral 17 was involved with all of these investments and so, you 18 know, from what I understood, I mean, she -- this -- 19 she was the person providing the information, that this 20 was consistent with how I understood things.</p> <p>21 Q Okay.</p> <p>22 A So she -- she is -- she knew us, she knew 23 what we needed to do, she made recommendations to us 24 that were -- you know, would be appropriate for us. 25 And -- and so that's all part of what she did.</p>	<p>192</p> <p>1 A The -- yeah. So I -- actually, you know, I 2 think probably Elisabeth filled that out, and I'm not 3 sure if she understood that. I do know that when we -- 4 so that -- this says, "fax to Steve," so the guy who 5 did Fast Fitness Centers was a guy that was at our 6 table, Steven, I don't remember his last name now, and 7 so we -- we got -- we wanted to get the information 8 from him.</p> <p>9 And eventually that -- I mean, he -- he 10 withdrew that investment, and so I'm not sure how all 11 of this worked out relative to that or -- I just don't 12 really remember. You know, this was a different -- a 13 different investment in that it was just being 14 developed during the course of the table and --</p> <p>15 Q Was Loral Langemeier promoting it?</p> <p>16 A Loral Langemeier promoted it and -- and -- 17 but then it was withdrawn. I mean, they didn't 18 actually do the -- the investment, the thing. So -- so 19 that made me think, you know, she's keeping an eye on 20 things and this was something that wasn't ready to be 21 offered at the table. And so we -- we didn't -- you 22 know, actually, it turned out to not even be something 23 we could invest in. So I'm not sure what happened 24 there.</p> <p>25 You know, Loral made recommendations to us</p>
<p>191</p> <p>1 Q Did you understand Loral to be working on 2 behalf of Renaissance Laser?</p> <p>3 A We understood that Renaissance -- Renaissance 4 Laser is part of the spectrum of offerings that Loral 5 had to us, that she was involved and that she was 6 involved in -- you know, in making -- in the -- in the 7 company in some way, either -- I mean, I don't know, I 8 mean, I don't know how she was involved, but she 9 presented this, she's -- she's the -- she was the 10 person who -- who told us that she was -- you know, she 11 was involved, she was keeping an eye on things, that 12 this is appropriate for us.</p> <p>13 And so I felt that that's what this kind of 14 thing told us, you know, that she was included in that 15 statement.</p> <p>16 Q Turn to Exhibit 121, if you would.</p> <p>17 A All right.</p> <p>18 Q Have you seen this document before?</p> <p>19 A I signed it.</p> <p>20 Q So you've seen it before?</p> <p>21 A Yes.</p> <p>22 Q Under the section marked F, "Consistent 23 investment strategy," the question is, "Is this 24 investment consistent with your overall investment 25 strategy?" And you marked "No." Do you see that?</p>	<p>193</p> <p>1 that we felt were consistent with our investment 2 strategy. You know, this is -- this form --</p> <p>3 Q This was one of them?</p> <p>4 A This was a form that Elisabeth filled out 5 and, you know, I don't know if she completely knew what 6 we were doing when we filled it out.</p> <p>7 Q Did you know what you were doing when you 8 filled out the subscription agreement for it that's 9 Exhibit 128?</p> <p>10 MR. BRADLEY: And I'm going to object, lack 11 of foundation.</p> <p>12 A (Continuing) So, again, that -- the 13 investment, this investment was one that didn't 14 actually get going. And so when we filled that out, we 15 wanted to support Steve at our table and Loral had been 16 working with him to develop it. And I don't exactly 17 know why it was -- it was withdrawn from -- from -- 18 from the -- the things that were offered. And so --</p> <p>19 Q So is it your understanding that this 20 investment was consistent with your overall investment 21 strategy, that was just a mistake on the prior form?</p> <p>22 A That's my understanding.</p> <p>23 Q Okay. Turn to Exhibit 151, if you would, 24 please.</p> <p>25 A (Witness complied with request of counsel.)</p>

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<p style="text-align: center;">194</p> <p>1 Q These are your notes, aren't they? 2 A Let's see. Yes. That's my writing. 3 Q All right. Take a look at the first page, 4 you'll see that you highlight five points at the very 5 top of your notes, do you see that? 6 A Uh-huh (affirmative). 7 Q The first one is -- well, what are you taking 8 notes of here, can you tell me? 9 A So these -- you know, I don't -- I don't 10 recall the actual meetings, but what occurred was there 11 were -- there were lectures, you know, during the 12 course of the -- the events, you know, to teach us more 13 of what was going on, how to -- how to implement 14 Loral's system and -- and how to be, you know, 15 investors.</p> <p>16 Q And the first point here is non-solicitation, 17 the second point is nondisclosure. What does that 18 mean, what were you taking notes about?</p> <p>19 A You know, I wish I had written a little more 20 to explain this. I -- that was a long time ago and 21 it's from a lecture and I didn't actually title the 22 lecture. So I don't -- I don't really recall what that 23 was relative to.</p> <p>24 Q Under the third point, it says, "Suitability 25 form, don't take too much of someone's percentage of</p>	<p style="text-align: center;">196</p> <p>1 that to David Zebny in one day, right? 2 A I'm assuming that you've done the math and 3 that's correct. I mean, so --</p> <p>4 Q Do you think that was a good thing to do? 5 A At the time that we did that, we had 6 contacted Loral and asked her, that we had this much 7 money available to invest, and she gave us, you know, 8 some different investments to do, and so --</p> <p>9 Q How did you contact her? 10 A You know, I -- I didn't contact her. 11 Elisabeth contacted her. And so I don't -- I don't 12 know how that actually occurred except that we got -- I 13 don't know if she called her, I don't know if she -- I 14 don't know what she did. And so we got back these 15 choices. Elisabeth did a lot of legwork. And -- and 16 so we got back these choices. And so I'm -- she gave 17 us choices to make -- you know, to invest in and she -- 18 we told her how much money we had. And so, I mean, I'm 19 assuming that those were good choices.</p> <p>20 Q Were you privy to that conversation with 21 Loral Langemeier?</p> <p>22 A To -- to invest in -- in Z Restaurant, or 23 what -- what are you asking me?</p> <p>24 Q Were you privy to a conversation in which 25 Loral Langemeier was contacted for the purpose of</p>
<p style="text-align: center;">195</p> <p>1 investment." At this point in time when you were 2 taking these notes, you knew what suitability meant, 3 didn't you? 4 A The -- so I think those forms are the 5 suitability forms, right, isn't that what this is? 6 Q Yes. 7 A So at that time, then, the -- I mean, I'm 8 taking notes on it, trying to understand, I don't know 9 it necessarily means that --</p> <p>10 Q Dr. Lenes, by the time you took these notes 11 at the Cabo Alumni 7, you had already filled out at 12 least a dozen of those --</p> <p>13 A Correct. 14 Q -- suitability forms, right? 15 A So that -- that doesn't necessarily indicate, 16 you know, a complete understanding of things. 17 Q I see. So -- 18 A So -- 19 Q -- did you understand it or didn't you? 20 A So I -- there -- we understood -- I thought I 21 understood, you know, to the extent that I've 22 explained, you know, previously, that this was part of 23 what you did to get the paperwork. 24 Q And if your net worth was three million 25 dollars back in April of 2006, you loaned 20 percent of</p>	<p style="text-align: center;">197</p> <p>1 asking what to do with \$600,000? 2 A So -- 3 Q Were you privy to that conversation? 4 A So "privy," I'm sorry, do you mean did I hear 5 that conversation? 6 Q Yes. 7 A So I did not hear that conversation. 8 That's -- you know, we divided up tasks, and so -- 9 Elisabeth and I, and we -- she did some things, I did 10 other things. And so she -- she was working on that. 11 I -- I mean, I had -- had and have a full-time job that 12 consumes a lot of time. And so it's -- really, one 13 person can't do everything. And so you have legal 14 assistants and, you know, I had -- and we work 15 together. I mean, it's a -- we didn't hide anything 16 from each other. Our -- our -- you know, we -- we look 17 out for each other, and so she was involved in doing 18 some of the legwork and so I didn't --</p> <p>19 Q Did you have a conversation with Elisabeth 20 where she told you, "I had a conversation with Loral 21 Langemeier and she said we should give David Zebny 22 \$600,000"?</p> <p>23 A So -- 24 MR. BRADLEY: Objection. Mischaracterizes 25 prior testimony.</p>

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<p style="text-align: center;">198</p> <p>1 A (Continuing) Again, what -- what we did was 2 we contacted Loral and we had this much money available 3 to invest and we felt that Prom Notes would be good. 4 And we asked her which Prom Notes would be good for us 5 and she gave us a choice of three that she felt would 6 be good for us. And so out of those three, you know, 7 we -- we gave the money to Loral (sic).</p> <p>8 Q You mean Dave?</p> <p>9 A Excuse me, yeah, sorry, Dave, to -- to the Z 10 Restaurant Group. And so -- and so we -- we felt that 11 was -- you know, she -- she suggested those, she gave 12 us three good choices, we figured any one of those 13 choices would be good.</p> <p>14 Q And what I want to be clear about was, you 15 weren't -- you weren't privy to that conversation, 16 though, so did you and Elisabeth have a follow-up 17 conversation about it after she contacted Loral?</p> <p>18 A To decide what to do about it or --</p> <p>19 Q Yes.</p> <p>20 A Well, I think I sort of implied that, I 21 mean --</p> <p>22 Q No. I -- I want to be clear. Did -- after 23 she had the conversation with Loral, did you-all have a 24 follow-up conversation, and if so, what did you talk 25 about?</p>	<p style="text-align: center;">200</p> <p>1 A So --</p> <p>2 MR. BRADLEY: Objection. Lack of foundation.</p> <p>3 Mischaracterizes prior testimony.</p> <p>4 A (Continuing) So I think -- are you saying 5 the checks were written on the 4th of July?</p> <p>6 Q Yeah, the 4th -- checks were written on the 7 4th of July, so did Elisabeth talk to her the day 8 before, night before, when did that happen?</p> <p>9 A So -- obviously I don't remember that, 10 because there's -- you know, you write a check, you've 11 already -- you don't write a check until everything is 12 lined up. And so it takes time to get all the 13 paperwork and get the money available and all that kind 14 of stuff. So -- so it seems silly to suggest that we 15 did -- called her on July 4th, on a holiday, to write 16 her -- if we should write a check, you know, when we 17 asked for the information, we did it at an appropriate 18 time, you know, and --</p> <p>19 Q Did it happen at some point between the first 20 Big Table in April and July 4th --</p> <p>21 A I mean, it took time to --</p> <p>22 Q -- 2006?</p> <p>23 A -- to -- so we -- she told us we needed to 24 get a second mortgage on our home and get -- mobilize 25 those lazy assets. So when we came back, we started</p>
<p style="text-align: center;">199</p> <p>1 A So we talked about that there are three 2 choices and that this is what Loral recommended and 3 that we -- we put it in the -- in the Z Restaurant 4 Group.</p> <p>5 Q Okay. And then you did that, is that 6 correct?</p> <p>7 A Right. You -- you have the checks that we 8 sent to them.</p> <p>9 Q All right.</p> <p>10 A So we did -- Loral would make recommendations 11 and she -- she said, "Look, if you're not going to, you 12 know, do what I say, then, I mean, it's -- I'm the one 13 who knows." She's the expert. We gave her our 14 information, she -- we felt she was looking out for our 15 best interests.</p> <p>16 And so we -- we did -- really, I think when 17 you look at the email that we looked at earlier, we 18 tried very hard to do all the things that she told us 19 to do, because why would you -- why would you go to 20 a -- to a -- an advisor and not -- not do what 21 you're -- what they ask you to do? I mean, if you -- 22 there's a proven system to make -- you know, to make 23 people millionaires, and so why would we not do that?</p> <p>24 Q Did you get ahold of her on that 4th of July 25 weekend, "her" being Loral, to ask her about that?</p>	<p style="text-align: center;">201</p> <p>1 working on that, and it takes time to get -- you know, 2 to get different -- different people to say what kind 3 of a loan they can give you and it takes time to, you 4 know, fill out all that paperwork and get -- do a 5 closing. And -- and so, I mean, it just takes time. 6 And then they give you a check and you've got 7 to deposit it and, you know, it's -- so sometime, you 8 know, between then, we -- that's what we did.</p> <p>9 Q Okay. About in the middle of this page on 10 Exhibit 151, you -- you write, "How much new money can 11 I get this year?" And under that, you write, "Cash 12 machine, not cash flow. Your skillset can create new 13 money, your cash can create new money." Did you and 14 Elisabeth make any endeavor to use your skillsets among 15 the two of you to create new money that year?</p> <p>16 A Yes. So that -- that's -- I mean, she -- 17 she -- she told us that, you know, the more money we 18 have, the more we can invest. And -- and so we needed 19 to get some kind of a cash machine to make money.</p> <p>20 And so then you try and think of what your 21 skillsets are, you know, what can you do to -- to 22 generate some additional cash flow. And -- and so 23 somewhere -- somewhere in all of this is a -- you know, 24 what our -- what we thought our skillsets were and -- 25 and then trying to figure out how we could use that.</p>

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<p>202</p> <p>1 And it -- it seems to me that that was even 2 part of the table, you know, of making suggestions, you 3 know, Loral said, "Okay, what do you do?" And so she 4 would say, "Okay, these are possibilities for cash 5 machines for you." And so a lot of this was, you know, 6 information that was presented at the table and then 7 gone over again at -- at Cabo.</p> <p>8 And so we -- we tried to figure out a way 9 that we could have more -- you know, bigger cash flow 10 coming in.</p> <p>11 Q So what was your and Elisabeth's cash 12 machine?</p> <p>13 A So we -- we didn't really -- we didn't really 14 figure out a new cash machine. The -- I tried to 15 figure out if there's a way, you know, I could do -- so 16 I -- I not only worked for the State of South Carolina, 17 but I also contract with a couple of disability boards 18 in Charleston and Dorchester County.</p> <p>19 And so I was trying to figure out if there's 20 some way that I could see more people doing that and 21 then make more income, or if I could expand to another 22 county or, you know, if I could use, you know, 23 telemedicine or hire a nurse practitioner, figure out 24 some way that I could, you know, make that into a 25 bigger business that would generate more income.</p>	<p>204</p> <p>1 share them, but I haven't looked at them in a long 2 time.</p> <p>3 Q Can we find any of Loral Langemeier's 4 investment advice to you in your copious notes that are 5 found in Exhibit 151?</p> <p>6 A A lot of that -- let me just look through and 7 make sure it's not here.</p> <p>8 Okay, would you repeat your question now?</p> <p>9 Q Yeah. Where in your copious notes that we 10 see in Exhibit 151 can we find Loral Langemeier's 11 investment advice to you?</p> <p>12 A So there's a couple of things. One is that 13 when -- when we went to these, you know, they -- they 14 divided out the teaching sessions from the investor 15 sessions, and so investor sessions were separate from 16 these. And so when I -- when I took notes, I was 17 taking notes in the teaching sessions.</p> <p>18 When -- when we -- when we -- when we did 19 these, the things that she taught us, you know, were 20 relative to the -- to the -- to the investments that 21 she recommended to us. And so when -- so she's 22 teaching us how -- you know, the things to look out 23 for, what to do.</p> <p>24 And then at the investment sessions, she's 25 presenting the investments and recommending those. And</p>
<p>203</p> <p>1 And so it -- we just -- I mean, we tried to 2 figure out how to do that, we weren't really successful 3 with that, but --</p> <p>4 Q Didn't ever come up with a cash machine?</p> <p>5 A So we never -- we didn't -- we weren't able 6 to figure out an exact cash machine that we could do.</p> <p>7 Q Have you heard the term "money rules" at 8 these conferences?</p> <p>9 A We did.</p> <p>10 Q What were the Leneses' money rules?</p> <p>11 A You know, I -- I don't know if they're 12 written down in here somewhere. We have them. 13 Actually, I haven't -- haven't really looked at them 14 since then. And I'm not even sure where they are. We 15 had them.</p> <p>16 Q Do you remember any of them?</p> <p>17 A It seems to me that we -- I can -- I can 18 remember maybe one, that we wanted to have an 19 investment that yielded at least 12 percent or better, 20 because Loral said that you shouldn't -- you shouldn't 21 take less than 12 percent return on any investment. So 22 really, that's -- that's the one I remember. I -- I 23 really don't remember the rest of them.</p> <p>24 Q I see.</p> <p>25 A They may -- if we find them, I'll be happy to</p>	<p>205</p> <p>1 we have -- she -- so the -- you know, in my mind, what 2 I'm seeing is here she knows -- she knows all these 3 things. And -- and so when she makes a recommendation, 4 she already knows all of this information. She's the 5 one, you know, who has done it and taught us and taught 6 us how to do it and -- and made recommendations.</p> <p>7 And so -- so in a sense, the -- these 8 sessions that I've taken notes on are, you know, what 9 she uses to shore up her investment advice. And so she 10 has said, you know, "These investments are ones that I 11 have skin in the game, these investments are ones that 12 I've checked out, that I'm following up on, these are 13 the poster child investments, these are the M.B.A. 14 investments, these are the real estate guru 15 investments," you know, all those things.</p> <p>16 And so here she's -- I'm -- I'm thinking 17 she's done all these principles when she's made these 18 investments. And so when she makes a recommendation, 19 I'm going, okay, this -- this is a good thing. And 20 she -- she -- you know, she's done -- she's done the 21 work and she knows what's good for us and it's a good 22 investment.</p> <p>23 Q My question was different. Is her investment 24 advice to you anywhere in these notes? Do you see it?</p> <p>25 A So -- so in these notes, these are notes that</p>

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<p style="text-align: center;">206</p> <p>1 back up the investment advice that she gave us. 2 Q I see. 3 A And so -- 4 Q And you paid for that teaching, correct? 5 A And so these notes are notes that back up the 6 investment advice that she gave us. And she -- and she 7 gave the investment advice at another part of the 8 conference when she had Vetrazzo come speak and she had 9 Zebny come speak and she had Renaissance Laser and she 10 had Loudsoft come speak. And so each of -- each of 11 those, you know, that was a separate part of the -- of 12 the alumni conference. 13 Q But you paid -- 14 A And -- 15 Q -- for that teaching, correct? 16 A And we -- we paid for her to help us develop 17 a whole wealth plan. We paid for essentially, as -- as 18 Robert told us at the very beginning, that when we -- 19 when he advised us not to make, you know, an investment 20 we were going to make before we came to Loral's Big 21 Table, that we were coming and that we would have 22 opportunities for investments that would return a much 23 higher rate of return at the Big Table and that she 24 would make recommendations for us that would be 25 appropriate for us.</p>	<p style="text-align: center;">208</p> <p>1 A And so what she taught us about 2 diversification was she gave us a sheet on asset 3 allocation and she described that we needed real 4 estate, we needed Prom Notes, we needed oil and gas, we 5 needed businesses, and that as we -- as we got those in 6 place and we -- and we got those different companies, 7 you know, those are companies that were in different 8 industries, that that was -- that was diversification. 9 Q Underneath there, you write, "Don't invest 10 all your money at one time." Is that what Loral 11 Langemeier told you to do? 12 A So, again, I don't recall who gave this 13 lecture and -- and so, you know -- and that's what 14 we -- we did, I mean, what we understood to do. So we 15 took -- 16 Q What you did -- 17 A -- for example -- 18 Q Hold on a second. What you did was you 19 invested all your money at one time? 20 MR. BRADLEY: That mischaracterizes the 21 record. 22 BY MR. LITTLE: 23 Q Isn't that true? 24 A So what -- if -- if you would let me finish, 25 what we did was, for example, in oil and gas, we took</p>
<p style="text-align: center;">207</p> <p>1 We lived out loud. We laid out all our 2 finances in front of everybody. She saw those. She 3 knew what we wanted to do, what our freedom day was. 4 She, you know, knew how much we knew and what we knew 5 about things. And so she made recommendations. 6 And this -- all this information, you know, 7 to me, confirmed that she knew what she was talking 8 about and that she was qualified to make investment 9 recommendations and that she took into account all 10 these things and that she took into account who we were 11 and that she made recommendations that were good for 12 us. 13 Q Take a look at page Lenes Hard Copy 000186, 14 please. 15 A All right. 16 Q In the middle of the page, you see the -- 17 your note that says. "find true diversification" 18 A Yes. 19 Q Did Loral Langemeier tell you to do that? 20 A The -- I didn't really mark down who was 21 teaching us at the time, so -- so as far as where these 22 notes are from, I don't -- I don't recall who -- who 23 made that statement. 24 Q Is find true diversification consistent with 25 Loral Langemeier's teaching to you, sir?</p>	<p style="text-align: center;">209</p> <p>1 and we invested in the April fund and we invested in 2 the May fund and we invested in the -- you know, as -- 3 as they changed the way they invested it, so we spread 4 that out over time. 5 We took -- Loral was telling us, you know, 6 why are we still sitting on our lazy assets, you know, 7 to get -- to get going. And she gave Elisabeth a hard 8 time that we hadn't liquidated all of our lazy assets 9 and got those invested. 10 And so we were -- we were trying very hard to 11 do exactly what Loral told us to do and to get moving 12 and really were -- Elisabeth is especially good, I 13 mean, if she's given a task, you know, she works very 14 hard at it. And she grew up the same way, you know, 15 they -- she grew up in a blue collar family, you know, 16 her father was a -- was a janitor at a local school. 17 And so anything that they -- they had as a family they 18 worked for. And so she knows how to work. 19 And so when she's given a task -- Loral said, 20 "Get your assets -- your lazy assets together," so we 21 did that. And then these investment opportunities came 22 along, and so -- so I -- I mean, I don't understand 23 that as investing all your money at one time. We -- we 24 got an asset, an investment came along, Loral said this 25 would be a good investment for us, we invested in it.</p>

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<p>210</p> <p>1 We had -- we -- part of the reason we did 2 the -- the Prom Notes, you know, there's a 250, a 250, 3 and 100,000 Prom Note with David Zebny, we divided 4 those up so that as investments came along, we could 5 pull money out of that and put it into other things 6 that Loral recommended to us.</p> <p>7 Q And you think -- 8 A And so -- 9 Q -- that created diversification for you?</p> <p>10 A And so that's what we understood from Loral's 11 teaching, was we -- we had oil, we had, you know, some 12 Prom Notes, we made the money available so that as 13 new -- new opportunities became available, we could 14 move the money into that. We felt that this was, you 15 know, a way to -- that we were not sitting on lazy 16 assets. You know, we had the money out, it was earning 17 interest.</p> <p>18 So the money was working as Loral presented 19 new recommendations to us for -- for -- for 20 investments. And so, I mean, to me, that -- I mean, it 21 seemed to make sense from the -- all the things that 22 she taught us.</p> <p>23 Q Underneath that, you write, "Barriers to" 24 successful -- "successful investing," and there's 25 something there that says, "GOT-U." Is that an acronym</p>	<p>212</p> <p>1 mean, right now we're having to teach our one son, who 2 is just -- he just gives away everything and, you know, 3 he doesn't think it full, you know, that he should not 4 give -- I mean, he needs to keep a little bit for the 5 things that he needs, too, but then he'll give 6 everything away and then he'll come home.</p> <p>7 Over his Spring Break last year, for Spring 8 Break, instead of going and messing around, he worked 9 at Chick-fil-A. Over Spring Break this year, you know, 10 he's in the same spot, he had given away so much money, 11 you know, taking care of his friends and all that kind 12 of stuff, that he was broke again. And so this -- this 13 Spring Break, he worked at one of the carriage 14 companies downtown, you know, to earn money to make it 15 through the rest of school. So that -- I mean, that's 16 what you teach them, that's not what we do.</p> <p>17 Q Do you think that greed played a role in your 18 investment losses?</p> <p>19 MR. BRADLEY: Objection, asked and answered.</p> <p>20 A (Continuing) So I think that if greed played 21 part in it, I don't -- you know, I don't know how to -- 22 how to say that. I mean, I think -- I wonder -- I 23 wonder if Miss Langemeier was greedy, I wonder if 24 that's what played a part in our investment. You know, 25 I don't know the answer to that.</p>
<p>211</p> <p>1 for something?</p> <p>2 A You know, I -- I no longer remember what that 3 means.</p> <p>4 Q Okay. First thing you write there is 5 "greed"?</p> <p>6 A Right.</p> <p>7 Q Do you think greed played a part in your and 8 your wife's investment losses?</p> <p>9 A You know, I -- I was, you know, upset when 10 you said that under her deposition. And we -- we have 11 tried very hard to never be greedy and we -- one of the 12 ways that we're very careful about that is that when we 13 get money, we want to -- I mean, the -- we give away 14 the very first part of it so that we'll never hang on 15 to it too tightly.</p> <p>16 And we have different charitable causes that 17 we support. And the first bit of that money off the 18 very top goes to the Lord and to the -- and to 19 different things, you know, that we feel are important 20 for caring for people around the world.</p> <p>21 And so we -- you know, greed, you know, the 22 human heart. And we are -- we are all -- none of us 23 are perfect. And -- and yet, we have worked very hard 24 to not be greedy, to teach our children that you give 25 to others first and you don't hang on -- you don't -- I</p>	<p>213</p> <p>1 Q What do you mean?</p> <p>2 A I can say that, you know -- I don't know, you 3 know, if -- if -- if she's doing all these investments 4 and encouraging us to do things that, you know, would 5 go on to not do well, and if she was getting money from 6 them, I mean, was she greedy? I don't know the answer 7 to that. But what I do know is that we -- we did not 8 do these investments out of greed.</p> <p>9 Q I see. Which investment was it again where 10 you expected a 12 times return of your money for zero 11 risk?</p> <p>12 MR. BRADLEY: Objection, mischaracterizes the 13 testimony.</p> <p>14 A (Continuing) So that -- that's really not 15 what we said.</p> <p>16 Q That's not what happened?</p> <p>17 A That's not what we said. And so when we -- 18 when we talked about investing in -- I think that was 19 BioNovix.</p> <p>20 Q Uh-huh (affirmative).</p> <p>21 A And so we talked about what the returns would 22 be and we never really talked about -- so much about 23 risk and those sorts of things. The -- the concerns, 24 you know, we had a good team, we had a good product, we 25 had a good plan, you know, all that was in place.</p>

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<p>214</p> <p>1 And so really, the returns that -- all -- all 2 these returns, I mean, Loral was saying, you know, we 3 get 20, 25, 30 percent returns. I mean, that -- I'm 4 going, well, I mean, that seems to be -- that must be 5 what people make in businesses and things like those 6 kind of things.</p> <p>7 And so -- so to me, that -- she said that 8 matter of fact like that's the way it is. And so I'm 9 thinking that's a good thing, you know, that you can 10 make that kind of -- that kind of return on the money. 11 So when money works, it works better than when we work.</p> <p>12 And -- and so then, if that was the case, 13 then I'm -- you know, I'm going to be able to go work 14 in Africa and relieve somebody to go to a conference, 15 you know, I'll -- I'll be able to do those things.</p> <p>16 Q When you took your equity out of your home, 17 some of that equity accrued as a result of just 18 appreciation in the market, correct?</p> <p>19 A So I think -- I mean, isn't that -- isn't 20 that what -- where all equity comes from? I don't -- I 21 mean --</p> <p>22 Q No.</p> <p>23 A -- I don't know.</p> <p>24 Q No. And the reason I would say that is, for 25 example, when you worked on your rent houses, you put</p>	<p>216</p> <p>1 A (Continuing) What -- what I said is I -- I 2 didn't actually -- I don't know how you -- how you 3 determine that. And so what I was going to say is 4 that, I mean, there are general trends in the 5 marketplace in Charleston, you know, for -- they show 6 you graphs about how house -- house prices increase 7 over time in general and in different markets, sub 8 markets in Charleston.</p> <p>9 Q Uh-huh (affirmative).</p> <p>10 A And so, I mean, you could probably figure out 11 a percentage based on that, but we -- we also -- I 12 mean, we -- every house we've had we've put sweat 13 equity in, as well. So Elisabeth is just really good 14 at making houses look nice, and so we -- we paint, 15 we -- you know, we do trim and moulding and all those 16 things.</p> <p>17 Q What was your basis in the house on Ponsbury?</p> <p>18 A So it was, I think, somewhere around 500, 19 550,000, somewhere around there.</p> <p>20 Q Did you get an appraisal that supported your 21 home equity loan on the second mortgage?</p> <p>22 A No, I don't -- it seems to me they always do 23 that, and so I -- I imagine we did. But I don't -- I 24 don't actually recall.</p> <p>25 Q When you took out that money, did you tithe</p>
<p>215</p> <p>1 in some sweat equity, you --</p> <p>2 A Right.</p> <p>3 Q -- you physically improved the homes, 4 correct?</p> <p>5 A Right.</p> <p>6 Q But with respect to your house, how much of 7 that was pure market appreciation, do you think?</p> <p>8 A Well, I -- I don't -- I know that -- I don't 9 actually know how to determine that.</p> <p>10 Q All right. Let me ask you a different 11 question. What was your basis in the home on Ponsbury?</p> <p>12 MR. BRADLEY: You do keep interrupting him. 13 I'm going to ask you to stop doing that.</p> <p>14 BY MR. LITTLE:</p> <p>15 Q What was your basis in the home on Ponsbury?</p> <p>16 A So let me just finish, I don't -- I don't 17 know how to determine that.</p> <p>18 Q What did you pay for it?</p> <p>19 A Wait, I wanted to finish --</p> <p>20 MR. BRADLEY: Would you mind, Mitch? You 21 keep asking him a question. He starts answering 22 it, and then you switch to another question. It's 23 completely rude and unprofessional.</p> <p>24 MR. LITTLE: He said he didn't understand my 25 question. Calm down. Lower your voice.</p>	<p>217</p> <p>1 on it?</p> <p>2 A When we took out the money on the -- for the 3 home?</p> <p>4 Q Yeah.</p> <p>5 A We -- we took out money, so everything we 6 earned on that -- we did not tithe on the money that we 7 took out of the home. We -- everything that we earned 8 on that money, we tithe on. And so -- so the interest 9 payments, anything -- anything that came in, we -- we 10 tithe on that and actually a little bit more than a 11 tithe.</p> <p>12 Q Okay. So when you took out equity in the 13 home, you invested that with various businesses, 14 including Z Restaurant?</p> <p>15 A Uh-huh (affirmative).</p> <p>16 Q You didn't tithe on the money that you took 17 out, but if you got money back from Dave, you tithe on 18 that money, right?</p> <p>19 A So -- so actually more than a tithe, but 20 that's all the money that we got back, so on the gross, 21 yeah.</p> <p>22 Q I see. When you borrowed money against the 23 other real estate, the sheer -- the sheer appreciation 24 in value, you took that equity out, did you tithe on 25 that?</p>

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<p>218</p> <p>1 A So I don't think we did. You know, that -- 2 that money out was -- I felt that, you know, that -- 3 you know, that was money that was a loan, and so, you 4 know, that's money that we owed the bank that we would 5 pay them back. And so if -- if we had sold the home, 6 so when we had a house that we sold that we renovated 7 downtown, then all -- that money, we gave the Lord -- 8 we gave the Lord that money first, the -- the -- the 9 percentage that we determined beforehand.</p> <p>10 And so I guess I looked at the -- the -- the 11 loans on the house, not really so much as a -- like an 12 income, but as a -- that was borrowed and that it had 13 to be paid back.</p> <p>14 Q Below there on Exhibit 151, page Lenes Hard 15 Copy 000186, there's a category that says 16 "Overreaching," do you see that?</p> <p>17 A Uh-huh (affirmative).</p> <p>18 Q Underneath that, it says, "Florida condo 19 speculation, if it hits the news, get out." What did 20 that mean?</p> <p>21 A You know, I -- I don't -- I don't recall what 22 that meant.</p> <p>23 Q How about the category below that, says, 24 "Unrealistic expectations, if the return is too high, 25 it probably isn't a good investment." Did a 12 times</p>	<p>220</p> <p>1 want, follow money rules."</p> <p>2 A Okay.</p> <p>3 Q Did you adhere to this?</p> <p>4 A So that's what we felt Loral was providing, 5 that's what she helped us figure out in our goal, we 6 had our goals, she -- she helped us figure out goals 7 for investments, she helped us figure out what 8 investment objectives would be, you know. So she 9 talked about something that appreciated versus 10 something that would produce cash and so how you divide 11 up with that.</p> <p>12 And really, I think probably "don't invest if 13 it's not what you want" kind of speaks for itself. And 14 then following the money rules, you know, whatever was 15 greater than 12 percent or whatever our other money 16 rules were.</p> <p>17 So that -- that seems like that's what -- 18 what we understood from -- from the things that Loral 19 presented and that she recommended and that -- that she 20 had done.</p> <p>21 Q What was your responsibility with respect to 22 evaluating potential investments?</p> <p>23 A So my -- you know, we -- we had the -- you 24 know, we obviously have provided money and -- and so we 25 needed to make sure that, you know, we -- we would do</p>
<p>219</p> <p>1 your money return in BioNovix sound like a reasonable 2 return on your money in exchange for risk?</p> <p>3 A So Loral talked the -- through all of her 4 things about what returns would be. And -- and so I'm 5 thinking I lived in a different world, you know, prior 6 to this and that these are the kind of returns that you 7 get when you -- when you have a company that you sell 8 and it goes -- I mean, a 600 million dollar company, if 9 you do that, I mean, that's a 12 -- a 12 times returns, 10 I guess. I mean, that's what -- what she said.</p> <p>11 And so -- so she acted like that's a regular 12 kind of a thing and so I'm thinking this must be a 13 regular kind of a thing.</p> <p>14 Q That's what it sounded like to you?</p> <p>15 A Yes.</p> <p>16 Q Take a look at the next page.</p> <p>17 A All right.</p> <p>18 Q Do you see at the bottom, there's a category 19 here that says, "Suitability," and some notes that you 20 made there?</p> <p>21 A All right.</p> <p>22 Q Do you see that?</p> <p>23 A Uh-huh (affirmative).</p> <p>24 Q You write, "Meet your goals, must meet 25 investment objective, don't invest if it's not what you</p>	<p>221</p> <p>1 what we said we did -- would do. Our responsibility 2 was to -- you know, to make the investment, to learn 3 about them.</p> <p>4 We had -- you know, when we looked at the 5 things that were involved in -- in evaluating a -- an 6 investment, we had, you know, is this -- essentially 7 the things that she provided, so, you know, is this an 8 investment -- was it a -- was it an already existing 9 business, was it already successful, was there a good 10 team in place, you know. So that's -- I mean, that's, 11 you know, how you -- that's how you evaluated an 12 investment, has it got a good plan, is it -- you know, 13 just -- just those things.</p> <p>14 Q The person providing this talk was a woman 15 named Melinda Newton, a certified financial planner 16 from Dallas, correct?</p> <p>17 A I'm assuming that that's correct just from 18 the top note there, but I don't -- I don't actually 19 know if that's somebody who talked on this or if she 20 talked about direct investments. I just -- I don't -- 21 I can't quite sort out on my -- on my notes to remember 22 how that occurred.</p> <p>23 Q What did she tell you about risk?</p> <p>24 MR. BRADLEY: Objection, lack of foundation.</p> <p>25 BY MR. LITTLE:</p>

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<p>222</p> <p>1 Q Do you see your note there that says, "risk," 2 two lines above "suitability"? What did she tell you 3 about risk?</p> <p>4 A I'm looking. I don't -- oh, risk. You know, 5 I don't have anything written there, so I don't -- I 6 don't really recall.</p> <p>7 Q Don't remember.</p> <p>8 A That's true.</p> <p>9 Q I want you to turn with me, if you would, to 10 Tab B in the back again.</p> <p>11 A Okay.</p> <p>12 Q Okay. We're going to look at your 13 investments that you made here.</p> <p>14 A This page (indicating).</p> <p>15 Q Page 2, yes.</p> <p>16 A All right.</p> <p>17 Q I want you to rank for me on a scale of zero 18 to 10, zero being not risky at all, 10 being the 19 highest possible risk you could have, what Z Restaurant 20 Group was to you at the time you made your investment.</p> <p>21 MR. BRADLEY: Objection. We went through all 22 this before.</p> <p>23 A (Continuing) So you're asking me how risky I 24 thought the investment was?</p> <p>25 Q At the time you made it, yes, sir.</p>	<p>224</p> <p>1 responses?</p> <p>2 MR. BRADLEY: Objection, asked and answered.</p> <p>3 BY MR. LITTLE:</p> <p>4 Q That you can't rank them?</p> <p>5 A I -- I think, you know, I'd have to -- I'd 6 have to say that, you know, she presented -- she 7 presented investment opportunities to us that were, we 8 felt, appropriate for us. She knew who we were, she 9 knew what we had, she knew -- she knew that we -- that 10 we -- what our goals and aspirations were, she knew 11 what we could endure. And -- and so she gave us 12 choices of -- of -- of investments that were 13 appropriate for us, and so we -- we didn't --</p> <p>14 Q Uh-huh (affirmative).</p> <p>15 A -- we didn't think so much of the risk.</p> <p>16 Q You understand that returns are a function of 17 risk?</p> <p>18 A I -- I understand that now.</p> <p>19 Q You didn't understand that back then?</p> <p>20 A The -- we -- we didn't think so much about it 21 back then. She -- she was telling us that these are 22 really -- these are great investments.</p> <p>23 Q I'm not -- I'm not --</p> <p>24 A And --</p> <p>25 Q -- asking you whether you thought about it.</p>
<p>223</p> <p>1 A At the time I made it, and so what -- what I 2 understood was that we were presented with the -- 3 excuse me, these investments that were going to provide 4 a very good return and that they were investments that 5 were suitable for us and that were investments that had 6 a good team in place, that had, you know, good product, 7 that had a proven track record, you know, Z Restaurant 8 was already successful in California, that -- the 9 restaurant in California.</p> <p>10 And so we -- we didn't -- you know, at the 11 time, we -- we understood that this was going to be a 12 great investment that we'd have a good return on and -- 13 and we -- we never really talked so much about risk.</p> <p>14 Q I understand. I asked you to kind of rank 15 this one. If you can't do it, just tell me, "I can't 16 do it." Can you rank it somewhere between zero and 10 17 in terms of risk, as you understood it?</p> <p>18 A To be honest with you, I don't -- I don't 19 think I can really rank them --</p> <p>20 Q Okay.</p> <p>21 A -- you know, at the time because I -- you 22 know, we didn't -- we didn't -- we just didn't really 23 talk so much about that.</p> <p>24 Q Is that the same for all the investments on 25 this document, your fourth supplemental discovery</p>	<p>225</p> <p>1 I'm asking you whether you understood it back then. 2 Did you understand that?</p> <p>3 A So, you know, if we -- if we had really 4 understood it, we -- I don't know if we would have 5 asked about it or more or -- you know, she -- we -- we 6 worked hard, we had rental properties, we did these 7 things, we -- they said that they, you know, would be 8 able to give us a 20 to 25 percent return.</p> <p>9 And the economy was booming and things were 10 going well. We thought this is what happens in -- in 11 businesses that -- you know, that -- where you're 12 actually involved in the business and everything.</p> <p>13 Q Sir, listen to my question. My question was 14 different. In 2006, did you understand that rewards 15 were a function of risk? If you did, just say yes, if 16 you didn't, just say no.</p> <p>17 A So at that point in time, I don't know that 18 we knew to -- you know, how to even answer that 19 question. I mean, we -- we had been working and Loral 20 said that we could come, you know, there, we had an 21 opportunity to invest in businesses that had a much 22 better rate of return. I don't -- you know, it's not 23 something I really thought about.</p> <p>24 Q Dr. Lenes, turn to Exhibit 152. Is this your 25 handwriting?</p>

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<p>1 A Uh-huh (affirmative).</p> <p>2 Q In the right category, it says, "startup has</p> <p>3 a higher level of risk." Who talked about that with</p> <p>4 you?</p> <p>5 A You know, I don't -- I don't have a note to</p> <p>6 know who did. I don't know where that came from. I</p> <p>7 mean, I wrote that. I don't know when. I mean, I just</p> <p>8 don't know what -- what that was.</p> <p>9 Q What does it say throughout the right column</p> <p>10 of this initial due diligence checklist?</p> <p>11 A So it talks about level of risk and the --</p> <p>12 and the thing that is not so straight forward about</p> <p>13 this in the context is that you -- you have a team in</p> <p>14 place, you know, an opportunity, a team. I'm not sure</p> <p>15 what all this is. And so when you -- when you look at</p> <p>16 all these things, then, you know, the risk is not --</p> <p>17 it's just not as great.</p> <p>18 And so you have a team, you have an</p> <p>19 opportunity, it's an existing business, there's an</p> <p>20 industry trend up or down, you know, do you understand</p> <p>21 the concept. So if -- if those -- if you have those</p> <p>22 kind of things, then the business should do well.</p> <p>23 And so Loral would answer those kind of</p> <p>24 questions. She'd say, "We have a great team. They</p> <p>25 have direct experience in the team and they're -- they</p>	<p>1 lot of people go out to eat, Harvard Square. Harvard</p> <p>2 college is there, there's all these businesses there,</p> <p>3 there's hospitals there. You know, there's all this</p> <p>4 stuff going on, and for this niche of restaurant, it's</p> <p>5 a great opportunity.</p> <p>6 So it's a mod -- moderately priced restaurant</p> <p>7 that people can go back to, enough variety in the menu.</p> <p>8 And then they had opportunities in the evening with the</p> <p>9 liquor and they could -- they had parties and functions</p> <p>10 there. And so it's a -- I mean, they -- they answered</p> <p>11 all the concerns, you know, as far as any level of risk</p> <p>12 goes.</p> <p>13 Q When did you write these notes?</p> <p>14 A Well, I -- I don't know. I mean, it's not --</p> <p>15 it's not dated.</p> <p>16 Q Do you recall signing a representation that</p> <p>17 you understood that Z Harvard Square had no operational</p> <p>18 or financial history whatsoever?</p> <p>19 A And so, again, what Loral told us was that Z</p> <p>20 Cafe in California, that David owned and operated, was</p> <p>21 a successful venture and that -- and that that's, you</p> <p>22 know -- that -- sorry, just lost my thought. Can you</p> <p>23 ask me your question again?</p> <p>24 Q Do you understand that you represented that</p> <p>25 you understood that Z Harvard Square had no operational</p>
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<p>1 A Sorry. Ask me again. 2 Q Yeah. Have you seen Exhibit 175 before? 3 A Yes. 4 Q Does your handwriting appear on page Lenes 5 Hard Copy 001521? 6 A 1521, that looks like it's probably my 7 writing. 8 Q Under "investor suitability information," you 9 write your occupation as M.D. and business, residential 10 and commercial real estate, investor in businesses, 11 stock investing. And the question below that asks, "Do 12 you have sufficient knowledge and experience in 13 financial and business matters so as to be capable of 14 evaluating the merits and risks associated with 15 investing in the company?" And you marked "Yes," 16 correct? 17 A Yes. 18 Q That was true, correct? 19 A Well, that's a good question. We -- 20 Q Is it? 21 A Yeah. So we -- we went to -- to Loral, we 22 went to Loral's Big Tables and Loral taught us how -- 23 you know, the things involved in different investments. 24 And so we -- we felt that we had an understanding of 25 what it took to involve -- to be involved in</p>	<p>1 to make those things worth more value. 2 And we had stocks that we invested in that we 3 felt, you know, those are reasonable companies and so, 4 you know, General Electric grew over time. It's -- you 5 know, that's what we understood. 6 Q And was -- did you take risks when you bought 7 the rental homes? 8 A So the -- you know, if -- the way we were 9 careful with that was, you know, we had -- we had a 10 property that we borrowed money on that was -- it was 11 worth a little bit more than we borrowed. I had life 12 insurance if anything ever happened to me. We saved, 13 you know, we had a -- we had renters in the -- in the 14 property. 15 And so we felt, you know, that that, you 16 know, was not very risky. We had insurance, you know, 17 if a hurricane came through and we didn't have rent, 18 you know, we had a -- a clause in the insurance that 19 said they would pay the rent, you know, until you get 20 the house repaired. So we thought those were 21 reasonable things, you know, we did that. 22 When we went to Loral, she -- she said that 23 you have a good team, you have a good opportunity, you 24 have a good product, you have things that are good. I 25 mean, this is a business. We hadn't -- we hadn't done</p>
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<p>1 investments and -- and evaluating businesses. And so 2 at the time, that was true. 3 Q And you write below that -- well, it asks 4 you, "Please briefly describe the basis of your 5 knowledge and experience," and you write, "As above 6 times 20 years." Do you see that? 7 A Yes. 8 Q Was that true? 9 A So we had been involved in real estate in our 10 business and in stock investing for 20 years. 11 Q Do you intend to tell the ladies and 12 gentlemen of the jury at trial that after 20 years of 13 investing in businesses, real estate, and stocks, that 14 you did not understand that returns are a function of 15 risk? 16 MR. BRADLEY: Objection, asked and answered. 17 A (Continuing) The -- what I intend to tell 18 the jury is that when we did the business and real 19 estate investments and those sorts of things over the 20 course of time, we invested in our home, we invested in 21 rental properties, we had a -- you know, around 22 property where you had a piece of -- a piece of 23 tangible, you know, concrete things that you could sell 24 if you needed to and cover that -- cover the loan if 25 something happened and that we worked with sweat equity</p>	<p>1 those kind of businesses before. The -- the business 2 that we had was my -- my side business and Elisabeth 3 working for Pourquoi Pas when she did interior design 4 businesses. 5 And so that was -- you know, we are careful 6 with -- with how we -- how we managed those and so -- 7 but it was -- that was a part-time business that she 8 did out of the home because she -- she cared for our 9 children at home, she home schooled them. She operated 10 a business out of the home. She did real estate out of 11 the home. And so those businesses, you know, we -- we 12 were careful with them. 13 And so we went to Loral and we didn't know 14 about these other businesses, so she -- she told us we 15 had a good team, we had all these things. And so we 16 felt that was a good thing. And she offered us 17 investments and they were good investments because we 18 would have a good return on them. 19 Q Doctor -- 20 MR. LITTLE: I object, nonresponsive. 21 BY MR. LITTLE: 22 Q Dr. Lenes, that was a huge answer, I asked a 23 little question. My question was, when you did the 24 rental houses, was there risk? 25 A So -- well, I guess I answered that there was</p>

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<p>1 risk that we appropriately managed.</p> <p>2 Q What were the risks?</p> <p>3 A The risks are -- I mean, I think I sort of</p> <p>4 answered that when we --</p> <p>5 MR. BRADLEY: Yeah, I'm sorry, hold on.</p> <p>6 Objection, asked and answered.</p> <p>7 A (Continuing) So the risks were if a</p> <p>8 hurricane comes through --</p> <p>9 Q Okay.</p> <p>10 A -- then you have -- and the house is damaged</p> <p>11 and you can't have a renter in it, then you have damage</p> <p>12 to the house, you know, but we had insurance to cover</p> <p>13 that.</p> <p>14 Q What else?</p> <p>15 A And so the risk is if I were killed and</p> <p>16 couldn't, you know, be -- have my salary as a backup in</p> <p>17 case something else happened, then I had life insurance</p> <p>18 to help cover that and to provide for my family.</p> <p>19 Q What else?</p> <p>20 A And so the risk if we had -- if it took us a</p> <p>21 little bit of time to get a renter in, then I had my</p> <p>22 job and we could cover the rent, we could cover the</p> <p>23 payments for however long it took us to get a renter</p> <p>24 into the house. And if -- the other risk if somebody</p> <p>25 were injured or something at the house and they -- you</p>	<p>1 Q Fair enough.</p> <p>2 A Yeah.</p> <p>3 Q Was there some safety in the fact that you</p> <p>4 could drive by the house and see there and touch it and</p> <p>5 stand on the lawn and say this is mine?</p> <p>6 A I think most of the time that I drove by the</p> <p>7 house and looked at it, I was looking to see if they</p> <p>8 watered the grass and if I needed to come mow it --</p> <p>9 Q Right.</p> <p>10 A -- and if the shrubs needed to be trimmed or</p> <p>11 if the dog had chewed up the fence. I think that's</p> <p>12 mainly what I thought about when I saw the houses, and</p> <p>13 did they need to be, you know, washed and those kind of</p> <p>14 things, so...</p> <p>15 Q But you knew at the end of the day that you</p> <p>16 owned it, you had a hard asset that you could go by?</p> <p>17 A We had -- we had a hard asset that we would</p> <p>18 work to pay off the loan and that that would -- we</p> <p>19 would have renters and there would be a source of</p> <p>20 income from that.</p> <p>21 Q I see.</p> <p>22 A Are you -- are you a rental owner, too?</p> <p>23 Q I'll talk to you about it afterward, how</p> <p>24 about that?</p> <p>25 A Okay, sorry.</p>
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<p>1 know, there was insurance that would cover that.</p> <p>2 Q What about one that I'm having a lot of fun</p> <p>3 with right now, you have a renter who doesn't pay --</p> <p>4 A So --</p> <p>5 Q -- is that risk?</p> <p>6 A So that's a risk and so we had -- and we'd</p> <p>7 had -- we've had a renter that didn't pay. I mean, we</p> <p>8 had that. So we had -- we had my salary, you know,</p> <p>9 that we could make the payment while that renter didn't</p> <p>10 pay and while we went through all the process of, you</p> <p>11 know, getting them out and going to court and all those</p> <p>12 kind of things about all of that.</p> <p>13 Q Is there any other risks that you can think</p> <p>14 of vis-a-vis have having rental houses?</p> <p>15 A Not right now off the top of my head.</p> <p>16 Q Okay. But all of those risks are subsumed</p> <p>17 within the price that you ask someone to pay to live</p> <p>18 there for a month, aren't they?</p> <p>19 A So tell me what that means.</p> <p>20 Q Did you not understand?</p> <p>21 A The -- I don't think I did.</p> <p>22 Q Okay. You are willing to accept all of those</p> <p>23 risks for a certain price per month, aren't you?</p> <p>24 A I mean, I don't know that I thought through</p> <p>25 it that way, but --</p>	<p>1 Q Deal.</p> <p>2 A Yeah.</p> <p>3 Q Let's take look at Exhibit 186, if you would,</p> <p>4 please.</p> <p>5 A All right.</p> <p>6 Q I believe this is a complete version of the</p> <p>7 subscription agreement that you signed for Vetrazzo.</p> <p>8 Is that what it looks like to you?</p> <p>9 A Yes, I think so. Making sure that all the</p> <p>10 pages are there. Okay.</p> <p>11 Q And that's the subscription agreement that</p> <p>12 you signed in order to invest in Vetrazzo, correct?</p> <p>13 A It is. We had -- I'm assuming that</p> <p>14 there's -- I don't know if there's another -- I don't</p> <p>15 quite know how we did it, because we -- we invested in</p> <p>16 Vetrazzo as just like a regular investment. And then</p> <p>17 we invested -- they needed -- they needed -- they had</p> <p>18 another capital call where they needed to raise more</p> <p>19 more money, and so we invested a second time in a</p> <p>20 retirement account.</p> <p>21 And so I -- I can't quite remember the timing</p> <p>22 of all of these. So there -- this is -- this is an</p> <p>23 investment in them, but I think there's another --</p> <p>24 another part of this.</p> <p>25 Q There was a second tranche of financing that</p>

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<p style="text-align: center;">238</p> <p>1 they needed?</p> <p>2 A Yes.</p> <p>3 Q And you participated in that, as well?</p> <p>4 A That's correct.</p> <p>5 Q What was the alternative if you didn't?</p> <p>6 A Well --</p> <p>7 Q Have you thought about that?</p> <p>8 A -- the -- they gave us another opportunity, and so we -- we had been -- we saw, you know, how the company was doing and they -- we felt, you know, we'd invest some more money.</p> <p>12 Q And they warned you about that in Exhibit 187, didn't they?</p> <p>14 A About what?</p> <p>15 Q That the company may require additional capital, if you'll take a look at the second page of Exhibit 187.</p> <p>18 A Uh-huh (affirmative), okay.</p> <p>19 Q And you knew that that was something that you could -- that could happen when you made this investment, correct?</p> <p>22 A The -- so what -- you know, when they talked about raising -- having an additional fund-raising, they were raising money so that they could essentially get more equipment. They -- they needed to -- they</p>	<p style="text-align: center;">240</p> <p>1 toasters and different things that they put. And 2 Vetrazzo was in -- oh, one of the business, Forbes or, 3 I forget those, Fortune or -- I can't remember which 4 company, but where they -- where you get -- they have 5 votes on who -- who are the top new companies, and 6 Vetrazzo was one of the companies that they chose to be 7 in the competition for that.</p> <p>8 Q Wow.</p> <p>9 A So there -- I mean, these are really -- this 10 appears to be a really great company, Loral was right.</p> <p>11 Q So my question was, you didn't consider it to 12 be a high risk investment at the time?</p> <p>13 A Oh, sorry. So -- so we felt that this is a 14 company that's up and moving and that, you know, we'll 15 make some more product and it will be good, we'll be 16 starting to generate some returns.</p> <p>17 Q Please answer my question. You didn't 18 consider it to be a high risk investment at the time 19 you made it?</p> <p>20 A So, again, we -- we didn't consider so much 21 about risk. This is a company that was doing well, and 22 so, you know, it -- it's not that we did or didn't 23 consider it. You know, we thought this is a company 24 that's going to be producing a good return, it's a 25 great company, and -- and so we wanted to help it</p>
<p style="text-align: center;">239</p> <p>1 needed a bigger capacity to be able to provide for the -- for the growth of the company.</p> <p>3 And so there -- there was not a sense that 4 there was a risk to the company. There was -- if I 5 remember right, there was a -- a sense that we can -- 6 we can produce more product, if we have some more 7 capital, we can get this piece of equipment that will 8 make -- make us be able to produce more of the 9 countertop and be able to go into more markets and 10 be -- and would be able to account -- we'd be able to 11 attract bigger -- the people who sell your products, I 12 forget what they're called, but --</p> <p>13 Q Distributors?</p> <p>14 A Distributors, yeah. So we'd be able to make 15 a -- a deal with a bigger distributor and expand the 16 distribution of the product around the country. So it 17 was -- you know, an opportunity to grow the company 18 further, so it seemed like it was a reasonable thing to 19 do.</p> <p>20 Q It didn't seem like a high risk investment at 21 the time?</p> <p>22 A It's -- it's a company, I mean, people --</p> <p>23 General Electric, in their -- in their -- one of their 24 catalogs used Vetrazzo's -- Vetrazzo countertops to 25 display their -- their -- their appliances, you know,</p>	<p style="text-align: center;">241</p> <p>1 continue on.</p> <p>2 Q How do you dovetail that with the fact that 3 Vetrazzo told you on page Lenes Hard Copy 002206 that 4 you should consider the investment to be highly risky?</p> <p>5 A The -- so the -- the thing that's, you 6 know -- about that is, is that when we -- when we 7 talked to Loral when -- when we went to the Big Table, 8 and she presented these opportunities, she -- she 9 talks, you know, there are some things that we just 10 have to do for the paperwork.</p> <p>11 And so, you know, it's those kind of comments 12 and we just, you know, okay, well, that's what they do. 13 You know, this is something that, you know, lawyers 14 have people do or SEC or somebody has them do this kind 15 of paperwork.</p> <p>16 And, again, the things that she taught us, 17 she's -- she's answered. So this company, you know, 18 you write that -- you -- this company has people who 19 have been trained by Loral managing it, they have a 20 green product in a state that focuses on green, that 21 gives grants to companies to do green. They have -- 22 it's a company that is in Fortune or -- magazine. It's 23 a company that GE notices, it's a company that people 24 are -- Loral -- Loral even said she used the countertop 25 in her office or home or somewhere, you know, when she</p>

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<p>242</p> <p>1 was doing some work up there.</p> <p>2 And so all these people are using Vetrazzo</p> <p>3 countertop, you know, you see it in magazines, and</p> <p>4 people are talking about it, it's a -- it's a great</p> <p>5 product. And so, you know, there's -- they wrote that,</p> <p>6 but, I mean, that -- you know, that really didn't have</p> <p>7 any relevance. It was a company that was on the move,</p> <p>8 that was doing well, that had a lot of focus and a lot</p> <p>9 of exposure, and that companies -- you know, some of</p> <p>10 the big countertop companies were -- were -- were</p> <p>11 anxious, you know, in seeing how they did because</p> <p>12 they -- none of them had a green countertop that they</p> <p>13 could offer. So Corian or some of those kind of</p> <p>14 companies didn't have -- didn't have that kind of a</p> <p>15 product to offer.</p> <p>16 Q Sure. So I don't want to misstate anything</p> <p>17 that you've said. It sounds to me like despite the</p> <p>18 fact that you read these materials, the subscription</p> <p>19 agreements, the private placement memorandum, that</p> <p>20 Loral's endorsement essentially overrode those things,</p> <p>21 overrode those documents --</p> <p>22 A So when --</p> <p>23 Q -- for you.</p> <p>24 A -- when Loral made those recommendations, she</p> <p>25 also answered those kind of concerns in the way that</p>	<p>244</p> <p>1 A Uh-huh (affirmative).</p> <p>2 MR. BRADLEY: Hold on. I think you're</p> <p>3 misstating what this document is at page 6.</p> <p>4 MR. LITTLE: That's fair. All right.</p> <p>5 BY MR. LITTLE:</p> <p>6 Q Well, let me -- let me reframe this, Doctor.</p> <p>7 On Interrogatory No. 2, I asked you and your wife to</p> <p>8 identify all statements made by Loral Langemeier or her</p> <p>9 affiliates which you relied upon in making each such</p> <p>10 investment. Do you see that?</p> <p>11 A Yes.</p> <p>12 Q Okay. So let's turn to page 6 and you list</p> <p>13 some statements that you relied upon with respect to Z</p> <p>14 Restaurant Group. Do you see that?</p> <p>15 A Yes.</p> <p>16 Q The first one was that David Zebny was a</p> <p>17 successful restaurant owner and expert in the</p> <p>18 restaurant business. Do you see that paragraph?</p> <p>19 A Yes.</p> <p>20 Q Was any of that false?</p> <p>21 MR. BRADLEY: And I'm going to object. I</p> <p>22 think this exact thing was covered earlier.</p> <p>23 MR. LITTLE: It wasn't.</p> <p>24 BY MR. LITTLE:</p> <p>25 Q Go ahead.</p>
<p>243</p> <p>1 she taught people to do things. And so it -- it's not</p> <p>2 so much that you -- that they -- that you -- they</p> <p>3 overrode them, I don't think that that's an accurate</p> <p>4 representation.</p> <p>5 Q Okay.</p> <p>6 A She -- it's not like, oh, you know, Loral,</p> <p>7 it's -- it's this is a good company, it's got good</p> <p>8 leadership, it's got a good product, it's got a good</p> <p>9 assembly plant, you know, it's got support from</p> <p>10 California and General Electric and Fortune. So</p> <p>11 it's -- it's not even her endorsement, I mean, it's,</p> <p>12 you know, the whole thing that she presented, it's</p> <p>13 really the whole picture of here's -- here's a great</p> <p>14 company and Loral recommended it and that's just,</p> <p>15 that's another bit of it.</p> <p>16 Q I want you to turn with me to Tab D in that</p> <p>17 book in front of you.</p> <p>18 A Okay.</p> <p>19 Q If you would, turn to page 5. Actually, turn</p> <p>20 to page 6, if you would. We asked you and your wife to</p> <p>21 come up with a list of misrepresentations that you</p> <p>22 contend Loral Langemeier made, okay? Let's look at the</p> <p>23 ones under Z Restaurant Group.</p> <p>24 A Okay.</p> <p>25 Q Do you see that?</p>	<p>245</p> <p>1 A So what are you asking me?</p> <p>2 Q Are any of these statements that you relied</p> <p>3 upon in making your decision to invest in Z Restaurant</p> <p>4 Group false?</p> <p>5 MR. BRADLEY: And, again, to the extent that</p> <p>6 you know of stuff now based on conversations with</p> <p>7 your counsel, that's privileged and you don't need</p> <p>8 to reveal that, but if you have an independent</p> <p>9 knowledge...</p> <p>10 A (Continuing) Okay. So what we understood</p> <p>11 from when we made this -- investment, this is what</p> <p>12 Loral Langemeier told us about David Zebny, that he was</p> <p>13 a successful restaurant owner, he was an expert, he</p> <p>14 was, he had a successful business, he also had an</p> <p>15 expert with him, that he was a Harvard M.B.A. graduate,</p> <p>16 he did manage commercial investment real estate with</p> <p>17 Fidelity, he managed their money, and that he had a</p> <p>18 very large portfolio of money that he managed and that</p> <p>19 he was a person of highest integrity. So we -- that's</p> <p>20 what we understood when -- when Loral presented it.</p> <p>21 That's how she presented it.</p> <p>22 Q Okay, listen to -- listen to my question.</p> <p>23 Q Okay? My question is, which of these five bullet</p> <p>24 points, these five statements, the five categories of</p> <p>25 statements that are identified here by bullet points do</p>

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<p style="text-align: center;">246</p> <p>1 you understand, as you sit here today, to be false? 2 MR. BRADLEY: Again, I'm going to object -- 3 or instruct the witness that to the extent it's 4 based on conversations with counsel, not to reveal 5 that. 6 A (Continuing) So you're -- you're asking in 7 the paper, which -- what things we relied on in making 8 our investments? 9 Q No, sir. 10 A Is that -- 11 Q Take a -- are you on page 6 with me? 12 A Well, I was looking at Interrogatory No. 2. 13 Q No. Turn to page 6, if you would. 14 A Oh, then I'm sorry. Okay. 15 Q Do you see these five bullet points 16 underneath the Z Restaurant Group investment? 17 A Right. And so -- 18 Q Which of those do you understand to be false? 19 A And so when you asked the question, I thought 20 you were asking identify all statements made by 21 Langemeier or her affiliates which you relied upon in 22 making each such investment. 23 Q Yeah. 24 A That's it, right? 25 Q Yes.</p>	<p style="text-align: center;">248</p> <p>1 looking -- sorry. I messed up again. Thank you. I 2 was looking at the first bullet point. Okay. So 3 sorry. Okay. Now I see. So I -- I'm -- I don't know 4 that Loral Langemeier monitored the business. 5 Q Okay. 6 A And you're asking me which things I know to 7 not be true, is that correct? 8 Q Yes. 9 A Okay. So the business model was a proven 10 success, you know, it didn't actually return 22 to 25 11 percent -- 12 Q Okay. 13 A -- in two to three years, so that's not true. 14 And you're asking me what I know now, is that correct? 15 Q Correct. 16 A And I know that it was not -- I don't know 17 how it started out, but when -- after a while, it was 18 not exclusive to the defendant's community. And I am 19 unsure how Loral invested in it. 20 Q Okay. Let's go down to the next one, 21 Renaissance Laser. 22 A So what are you asking me? 23 Q Which of these five bullet points are false? 24 A As I now understand? 25 Q Correct.</p>
<p style="text-align: center;">247</p> <p>1 A That's what you're asking? 2 Q That's not what I'm asking now. That's what 3 I asked originally in the interrogatory. Now I want 4 you to tell me which of these five bullet points are 5 false. 6 A And so I guess I -- I don't know exactly how 7 to answer that because, I mean, there's information 8 that I -- I know now because we talked, and so I don't 9 -- I don't know how to answer that. 10 MR. BRADLEY: To the extent -- 11 BY MR. LITTLE: 12 Q You don't know how to answer the question? 13 MR. BRADLEY: You -- without revealing 14 specific stuff that we talked, you can -- you can 15 answer which ones you now believe to be false. 16 A (Continuing) Oh, okay. I see. I'm sorry. 17 So I think that, first of all, I don't -- I don't know 18 that he was a person of the highest integrity, and I'm 19 not sure about him being a successful restaurant owner. 20 Q Okay. Anything else? 21 A I don't -- I don't know of other things. 22 Q Okay. 23 MR. BRADLEY: Are you looking at all five 24 bullet points? 25 A (Continuing) Oh, no. I'm sorry. I was</p>	<p style="text-align: center;">249</p> <p>1 A Okay. Are you making fun of me? 2 Q No, I'm not. I'm trying to make sure we're 3 on the same page. 4 A Okay. Okay. So what I -- I'm not -- I'm not 5 sure about that Madison Scott is a person of highest 6 integrity. 7 Q Okay. 8 A I -- I'm not sure that Loral continued to 9 monitor the business. I -- I don't know what she did 10 with Mike Beller and Madison Scott. Obviously it did 11 not return 28 percent. 12 Q Was that supposed to be in a year, 28 percent 13 a year? Because if you put in \$100,000 and you get 14 \$28,000 back, that's not a good return. Are we talking 15 about return on investment or of investment or what? 16 A So when -- there was a -- there was a time 17 frame involved in that, and right off the top of my 18 head, I don't -- so they -- there was always a time 19 frame involved in the -- 20 Q Fair enough. 21 A -- investments. And so I -- I know that it's 22 not -- you know, it's -- it's over that period of time. 23 Q Okay. Please continue. 24 A And then, again, I'm -- I'm not sure that 25 defendant invested in a like manner --</p>

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<p style="text-align: center;">250</p> <p>1 Q Okay. 2 A -- Miss Langemeier invested in a like manner. 3 Q All right. And with respect to Coastal 4 Serenade, there are five bullet points. Which of 5 these, as you sit here today, do you understand to be 6 false?</p> <p>7 A So as we -- as we do some of these, some of 8 these I just -- you know, I don't -- I just don't know 9 the answer to.</p> <p>10 Q That's okay. Tell me the ones you do know 11 the answer to.</p> <p>12 A So I don't believe Loral continued to monitor 13 the business. It obviously did not return 23 to 32 14 percent.</p> <p>15 Q Okay.</p> <p>16 A And I don't -- I think that -- you know, I 17 just -- I can't remember the last -- the last point.</p> <p>18 Q Okay. Let's move on to Supplements To Go. 19 Which of those do you understand to be false, which of 20 those statements?</p> <p>21 A So from one of our previous statements that I 22 can remember was World Class Nutrition, you know, just 23 to go back to -- you asked about that at some point in 24 time.</p> <p>25 Q That was the one you missed out on that did</p>	<p style="text-align: center;">252</p> <p>1 Q Okay. Tell me which of these five bullet 2 points you know for sure to be false. 3 A So that it was -- that it wasn't grown and 4 sold for a substantial profit.</p> <p>5 Q Anything else?</p> <p>6 A No.</p> <p>7 Q Moving down to BioNovix, which of these five 8 bullet points do you know for sure to be false?</p> <p>9 A So Fred Auzenne being a person of highest 10 integrity.</p> <p>11 Q You know for sure that's false?</p> <p>12 A Well, from how -- you know, how I understand 13 integrity, I don't believe he's acted in that way.</p> <p>14 Q Okay. Any of these other bullet points you 15 know for sure to be false?</p> <p>16 A So the business does not -- did not have a 17 positive cash flow at that point.</p> <p>18 Q Okay. Anything else?</p> <p>19 A And...</p> <p>20 Okay.</p> <p>21 Q Are you done with that one?</p> <p>22 A Yes.</p> <p>23 Q All right. Let's move on to IRR, which of 24 these four bullet points do you know for sure to be 25 false?</p>
<p style="text-align: center;">251</p> <p>1 well? 2 A Correct. 3 Q Okay. 4 A World Class Nutrition, yup. 5 I think probably the first bullet point, 6 the -- I don't know that that's true, the Internet, 7 world class team of experts.</p> <p>8 Q Okay. What else?</p> <p>9 A I don't know that Loral continued to monitor 10 the business. The business has not been profitable and 11 grown and has -- you know, I think they've tried to 12 sell it, but there have been no buyers.</p> <p>13 Q Okay.</p> <p>14 A And I -- and, again, I don't know how Loral 15 has invested in this.</p> <p>16 Q So my question was, which of these do you 17 know to be false?</p> <p>18 A So I guess I need to answer a little more 19 clearly. So the experts in Internet marketing and 20 sales and business optimization, monitoring the 21 business.</p> <p>22 Q Do you know those two things are false?</p> <p>23 A The -- you know, I -- I don't know for sure, 24 I'd have to say that I don't know that for sure. 25 That's what I think.</p>	<p style="text-align: center;">253</p> <p>1 A That Loral would continue to monitor the 2 business.</p> <p>3 Q You know for sure she didn't do that?</p> <p>4 A There's no -- there's no indication, you 5 know, in the documents and things that they sent us as 6 we went along that she was ever involved with the 7 business.</p> <p>8 Q Okay.</p> <p>9 A Obviously it didn't triple our investment.</p> <p>10 Q Okay.</p> <p>11 A All right.</p> <p>12 Q Moving on to Oil2, which of these five bullet 13 points do you know to be false?</p> <p>14 A So it didn't obviously produce the return 15 that was promised and it is not a proprietary system of 16 investing in oil and gas.</p> <p>17 Q How do you know that?</p> <p>18 A The -- they have a -- they have oil -- they 19 have -- oil and gas, I mean, that's, I think, how 20 people have invested in oil and gas for a long time.</p> <p>21 Q Do you understand that they have a two-party 22 partnership patent pending?</p> <p>23 A I don't understand that.</p> <p>24 Q Okay. Anything else in here that you knew to 25 be false about Oil2?</p>

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<p style="text-align: center;">254</p> <p>1 A I -- I don't think there's anything else. 2 Q Okay. Moving on to Vetrazzo, which of these 3 five -- we're going to skip Loudsoft. 4 A Okay. 5 Q Moving on to Vetrazzo, which of these five 6 bullet points do you know to be false? 7 A It did not produce a 30 percent annual 8 return. 9 Q Anything else? 10 A And I don't know how Loral invested. 11 Q So going back to the beginning, out of all of 12 these bullet points for all these investments, is there 13 anything that -- is there anything that you know to be 14 false other than statements about future returns or 15 individual personal integrity? 16 A Well, I can't remember all the things that I 17 said as I went through. 18 Q Take a look. I just want to be sure. 19 MR. BRADLEY: And to be clear, you're asking 20 about whether he has personal knowledge? 21 MR. LITTLE: Asking whether, as he sits here 22 today, he knows any of these statements to be 23 false other than those dealing with future returns 24 on investment or personal integrity. 25 MR. BRADLEY: Based on his own personal</p>	<p style="text-align: center;">256</p> <p>1 went up to Massachusetts, I mean, it's things that -- 2 you know, where, you know, there was not an effort that 3 appeared to help with survival. 4 And there's a lot of things outside the scope 5 of these bullet points that, you know, are concerning 6 to us and that make us wonder, you know, what exactly 7 happened in all of those events and why those 8 businesses failed and why it was so hard to actually 9 get information about when they failed and why they 10 failed and what all happened with the failures. 11 Q Do you contend that Loral Langemeier knew 12 that these businesses were not going to generate the 13 returns that you expected? 14 A So, I -- I don't -- I -- I think that we 15 don't -- I don't know the answers to those things. And 16 so that's -- that's why you have the lawsuit, to find 17 out. 18 Q Sure. 19 A And so -- 20 Q As you sit here today, I'm just asking you, 21 do you think Loral Langemeier intentionally lied to you 22 about how businesses were going to succeed or fail? 23 A So not knowing what is in Loral's mind -- 24 Q Uh-huh (affirmative). 25 A -- and it's -- I don't know that -- you know,</p>
<p style="text-align: center;">255</p> <p>1 knowledge? 2 MR. LITTLE: Yup. 3 A (Continuing) So I think when you -- when you 4 ask this question, you're asking in the interrogatory, 5 what we relied on to make those decisions. 6 Q That's right. 7 A And so when I think about what's not true 8 right now, things that I talked about were, I believe, 9 the things that I can talk about. 10 Q I don't understand what you just told me. I 11 don't understand that at all. 12 A I -- I would say that -- that things that 13 you -- you know, it's the -- the failure to survive to 14 produce the returns, that people were not honest in 15 their dealings, as we found out, you know, what was 16 happening to the companies when they were failing, and 17 I know that businesses -- you know, we -- we were never 18 notified about what happened to businesses when we 19 tried to find out. So there's just things that were 20 hidden. 21 And so it's -- it's just -- you know, it's 22 hard to really know how to answer that question because 23 there's -- there's things that -- that are even outside 24 of that, you know, when we -- when we tried to save -- 25 you know, help the business survive, when Elisabeth</p>	<p style="text-align: center;">257</p> <p>1 I can't say that because I -- I don't know the answer 2 to that. 3 Q Yes. 4 A And so there's not a -- there's not a way I 5 would know, and if I were to just guess, then that 6 would be a guess, it wouldn't be something that I know. 7 And we've been, you know, badly damaged by all of this, 8 and so I would certainly hope that that's not the case. 9 But I think that that's part of what, you know, we try 10 and find out through the whole course of this, is what 11 actually happened. 12 Q Do you think Loral Langemeier knew that Dave 13 Zebny was a liar? 14 A Again, I don't know that I know what's going 15 on in Loral's mind. 16 Q Okay. 17 A And so, you know, if I were to say do I think 18 that, I mean, I have no way of knowing that. 19 Q Okay. Well, the reason I ask, Dr. Lenes, is 20 you've made claims against Miss Langemeier that she 21 intentionally misrepresented facts to you so that you 22 would rely upon those misstatements to your detriment. 23 You've sued her for that. 24 A That's right. 25 Q What do you -- hold on. Here comes the</p>

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<p style="text-align: center;">258</p> <p>1 question. 2 A All right. 3 Q What do you think she intentionally 4 misrepresented to you, sir? 5 A And -- 6 MR. BRADLEY: Based on -- based on his own 7 personal knowledge? 8 MR. LITTLE: Based on any evidence he has 9 here whatsoever, as he sits here today, to testify 10 about his claims. 11 A (Continuing) So when she -- when she -- the things 12 that we used to make our decisions on, you know, we 13 feel that those were things that she lined up so that 14 we would -- so that we would make the investment. 15 Sorry. I'm just getting a little tired. You know, may 16 I just take one break just for a second because I'm 17 getting a little uncomfortable, too, from what I drank, 18 so... 19 Q Yeah. I'm going to have to scoot here in 20 just a minute. Let's take a -- five minutes okay? 21 A I just -- I just need to make a pit stop.</p>	<p style="text-align: center;">260</p> <p>1 A -- unless you do the -- 2 Q We've been in this lawsuit for a couple of 3 years now, Dr. Lenes. What is it that you think she 4 intentionally lied to you about? 5 A So -- so, again, the -- we need to find out, 6 you know, did she intentionally lie. 7 Q Do you know anything? 8 A And we need to find out, you know, exactly 9 what occurred, you know, during these -- during all 10 these -- these -- all the proceedings of the restaurant 11 failing and the Renaissance failing and the Vetrazzo 12 failing and Supplements To Go failing and BioNovix 13 failing and, you know -- 14 Q As you sit here today, are you aware of 15 anything that Loral Langemeier intentionally 16 misrepresented to you, sir? 17 A So that -- that's why we have attorneys. 18 That's why we have the lawsuit. You know, it's -- we 19 want to find out what the truth is, what's actually 20 going on, you know, did she -- did she misrepresent, 21 did she lie. 22 Q Please answer my question. 23 A And so -- so -- so the question is, did we -- 24 do we know of something she intentionally lied about, 25 is that what you're asking?</p>
<p style="text-align: center;">259</p> <p>1 Q Okay, all right. 2 VIDEOGRAPHER: Off the record at 4:47. 3 (Brief recess taken.) 4 VIDEOGRAPHER: On the record at 4:51. 5 BY MR. LITTLE: 6 Q Dr. Lenes, back to my question, what do you 7 think Loral Langemeier intentionally misrepresented to 8 you? 9 A The -- the thing is -- is that, you know, the 10 businesses, you know, all -- all did poorly. They all 11 failed. And -- and so it -- it's hard to know. 12 There -- there were, you know, talks that -- in the 13 community, there are things that were a concern. And 14 so -- I mean, I don't know how I will know all of those 15 things that happened. 16 And so the -- the lawsuit is to -- is to 17 figure out what all happened and did she tell the 18 truth, did she mislead, did she -- you know, she 19 created a lot urgency for these investments, you know, 20 we -- you know, we felt, you know, we needed to hurry 21 up and make them. You know, there are just a lot of 22 things that happened that, you know, just now, looking 23 back, didn't make sense to us. We don't know exactly 24 what all went on, but how -- how will you know -- 25 Q I know.</p>	<p style="text-align: center;">261</p> <p>1 Q Yes. 2 A And so what we're saying is -- is that that 3 is the purpose of the -- of the lawsuit, is to find 4 those things out. And so I -- I mean, I don't -- I 5 don't know -- 6 Q As you sit here today and we take discovery 7 of your claims in this lawsuit, are you aware of 8 anything that she intentionally lied to you about -- 9 A And so -- 10 Q -- anything at all? 11 A And so that's -- I mean, I -- I don't know 12 how else to answer that, we have a lawsuit that is 13 going to find out what she intentionally lied, if she 14 did intentionally lie about things, so -- or what she 15 misrepresented or, you know, did she give investment 16 advice that she shouldn't have given or, you know, how 17 did all -- how did all this come together. So -- 18 Q Is your answer I don't know if she did or 19 didn't? 20 A The answer is that that is -- 21 Q Yeah. 22 A -- I mean, it's the purpose of the lawsuit. 23 It's not -- it -- it is to find out what the truth is 24 and -- and seek -- seek, you know, a resolution of all 25 of that.</p>

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<p style="text-align: center;">262</p> <p>1 Q What are you -- 2 A And so -- 3 Q -- what are you claiming in this law shoot -- 4 lawsuit that Loral Langemeier intentionally 5 misrepresented to you, sir?</p> <p>6 MR. BRADLEY: You know, and here's the thing, 7 I'm going to object, because I -- 8 MR. LITTLE: I'm going to get an answer to my 9 question, Jim.</p> <p>10 MR. BRADLEY: Yeah, and I'm going to put an 11 objection, because I think you were asking him 12 for -- for legal opinions here. I mean, he's got 13 a lawyer who's helped him craft his claims. You 14 know, he -- he hasn't been privy to all the 15 discovery.</p> <p>16 MR. LITTLE: That's ludicrous. 17 MR. BRADLEY: It's not ludicrous. 18 MR. LITTLE: That's ludicrous, Jim. 19 MR. BRADLEY: It's not ludicrous at all. You 20 produced 28,000 pages of documents. You want me 21 to testify. I'll tell you. 22 MR. LITTLE: I bet you wish you could, 23 because he can't think of anything that was 24 intentionally misrepresented to him, Jim. 25 MR. BRADLEY: He may -- he's not privy to all</p>	<p style="text-align: center;">264</p> <p>1 information that I could guess on why she would do 2 whatever it is that she did. And so I -- I don't -- I 3 don't know how I can answer that question. 4 Q Are you aware of anything that Loral 5 Langemeier gained by your losing, sir? 6 A So, in a way, that's kind of -- if you'll 7 forgive me, it's sort of a silly question. So the 8 question -- 9 Q Do you know what I'm asking? 10 A Well -- 11 MR. BRADLEY: Let him finish. 12 A (Continuing) So from what I understand of 13 the question is that if you're asking what she would 14 gain by my losing, you know, I -- I don't know the 15 answer to that. But the question seems to be better 16 asked that what she would gain by my investing. 17 And so that's why we want to find out what 18 exactly is going on in this case and what happened and 19 was -- did she fulfill her responsibilities properly, 20 did we -- did we -- were we taken advantage of or, you 21 know, how -- why all this happened. And so there -- 22 there's a lot of information that I don't know. 23 When you go to an attorney and have a 24 lawsuit, then you -- you don't know the answer to 25 everything. And so you -- you guys know how to do</p>
<p style="text-align: center;">263</p> <p>1 the information, so you -- 2 BY MR. LITTLE: 3 Q Are you privy to any information that 4 suggests that Loral Langemeier intentionally 5 misrepresented something to you, sir? 6 A So the purp -- I mean, we have -- that's why 7 we have an attorney, is to help us figure out exactly 8 what all happened in the case. 9 MR. LITTLE: Object, nonresponsive. 10 BY MR. LITTLE: 11 Q We'll ask the court to instruct you to answer 12 that question. 13 Why would Miss Langemeier intentionally lie 14 to you about anything? What could her motive possibly 15 be? 16 MR. BRADLEY: Objection. Speculation. 17 A (Continuing) So when -- when you're asking 18 me what she would -- why she would do that, I mean, she 19 is Loral Langemeier. I don't know what she's thinking. 20 And she's a separate person than I am. And so when 21 people do things, there's lots of motivations for why 22 they do them, and I -- I don't know what her motivation 23 is for the things that she does. 24 And so if you're asking me to -- to guess, 25 then I -- I don't know that, you know, I have enough</p>	<p style="text-align: center;">265</p> <p>1 this, attorneys know how to do this, and so you ask for 2 help to do it. And so then you decide -- I mean, she 3 hired you to defend her, so it's not like you have an 4 adequate -- you know, you have to defend her, but for 5 us, we're trying to find an attorney that says do we -- 6 think we have a case, is this something we can do, and 7 then they -- you guys know how to do all of that. 8 I mean, I -- I know how to do medicine. I 9 don't -- I don't know how to do law. And I don't know 10 how to do all these investigations, and so I don't know 11 how to answer that question. 12 Q In a typical securities fraud case, what 13 happens is an investor says that person lied to me in 14 order to get my money. Why would Loral Langemeier lie 15 to you? 16 MR. BRADLEY: Objection. Calls for 17 speculation. 18 BY MR. LITTLE: 19 Q Do you know? 20 A So the -- again -- do you want me to say the 21 same thing again? 22 Q No. 23 A It's -- it's -- 24 MR. BRADLEY: Well, it has been asked and 25 answered.</p>

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<p>267</p> <p>1 into the open.</p> <p>2 So do -- I don't -- I don't know every detail 3 of Loral's life. I don't know what her motives are, 4 you know. I don't know what she would do, why -- you 5 know, why she would do a particular thing. You know, I 6 don't -- I don't know the answer to that. I think the 7 attorneys can figure a lot of those things out and that 8 they'll -- they'll help us with that.</p> <p>9 Q Okay.</p> <p>10 MR. LITTLE: Thank you. I'll pass the 11 witness.</p> <p>12 MR. BRADLEY: I've got no questions.</p> <p>13 VIDEOGRAPHER: This deposition is concluded 14 at 5:00, Tape No. 6.</p> <p>15 (Deposition concluded at 5:00 p.m.)</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	